

# The Fundamentals of Liberty

By Robert LeFevre







# **The Fundamentals Of Liberty**

**Robert LeFevre**

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**Rampart Institute**

**Santa Ana, California**



**Robert LeFevre 1911-1986**

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# FUNDAMENTALS OF LIBERTY

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# Introduction

## *The First Civilized Man I Knew*

In the summer of 1956 an unpredictable, opinionated editorial writer for the Freedom Newspapers in Colorado Springs decided to become a teacher. What's more, he decided to open a school where the ideas of liberty as he perceived them could be presented without interference. The result was the Freedom School, a few primitive cabins on 320 acres in the Rampart Range of the Colorado Rockies. The first class probably didn't know that the course materials were contained in a few looseleaf pages of notepaper. But the instructor was Robert LeFevre, and he was presenting the first version of what would become Rampart College's comprehensive course, the Fundamentals of Liberty.

How many of us would have had the raw audacity to attempt such a venture, given that we had no money, no students, and no experience? Yet LeFevre tried it and made it work for over fifteen years. His approach to a challenge was to observe that he couldn't know if he would fail unless he tried. His approach to teaching was a dynamic, personalized assault on the student's very being. LeFevre possessed an uncanny ability to communicate. His methodology involved an orderly presentation of selective information—emotional as well as intellectual—in a rising scale of potency that very shortly immersed the student in such a flood of cognitive stimuli that only two paths were left open: to stop

fighting and see where the words were leading, or to jump ship. Some few always took the latter way, but for most a course with LeFevre was a peak experience, never to be forgotten.

The essence of LeFevre's philosophy he called *autarchy*, and his message was that self-improvement is the only means at our disposal for improving the world. Characteristic of LeFevre's world-view was his contention that mankind is still in a state of "high barbarism," in which we condone innumerable assaults upon our fellow man daily. The long march to civilization lies still ahead, along a path that is inaccessible to those who consider others to be their tools, or victims, or masters.

When asked whether he voted, LeFevre would smile and reply that he used neither the ballot nor other forms of violence to compel others to act as he thought they should. His books are passionate appeals to reason, nonviolence, and the intellectual (as opposed to physical) rejection of the state, as an instrument suited only to the mindless exploitation of one class by another.

"Being a libertarian," LeFevre wrote in his *Journal* in 1974, "to me means a revolutionary approach to the age-old problems affecting property and social organization. The distinction that I see between the libertarian and all others is that he accepts private ownership and management of property, and accepts the fact that although he might be able to influence others, he has control over himself alone. He sees all efforts to control others, whether by direct force, political methods, or threats, as elements of coercion. And being libertarian, he resolves not to be a party to any kind of coercion, even for the benefit of others...."

"Every body of thought with which I am acquainted proposes (through various methods) to compel others to acceptance. Their views are to be applied externally. The libertarian position that attracts me is to be applied internally. For the libertarian recognizes that the laws of reality dictate his own control over himself and no others. So he proposes to practice liberty regardless of what others may or may not do. He knows that by taking this course of action he is accomplishing the one, vital thing of which he is capable. He is establishing liberty within the area of his own competency."

When much of the Freedom School was destroyed by flood in 1965, LeFevre shut down his campus rather than accept federal



“aid” for rebuilding. Rampart College relocated in California, where it continued to present its two-week comprehensive course and weekend seminars. At its peak, LeFevre’s school offered home study materials, a cassette library, books, pamphlets, and libertarian miscellanea. LeFevre published a newsletter, and experimented with high-quality magazines.

In 1973, LeFevre retired as president of Rampart College, although he taught his comprehensive course again in August of that year, and would continue to do so privately for more than a decade. In his first year of “retirement,” LeFevre taught twenty-six one-week classes for a large industrial firm. The previous year he initiated a written debate with every member of the U.S. Congress concerning the nature of political representation in this country, a dialog that produced a voluminous correspondence.

Clearly, LeFevre was a man who found it difficult to slow down, in an age when many find it impossible to start. Years ago, one of his students asked him the secret of beginning—what it takes to make the transition from *wanting* to contribute to the advancement of freedom, to actually *doing* so. LeFevre paused for a moment, possibly reflecting back to a summer’s day in 1956, and then replied, “You know, you always have to start from where you are.”

—R. S. Radford



# Author's Note

It is profoundly doubtful that you will ever find another book put together in the way this one has been. Therefore, I think it is important to offer something in the way of explanation. First of all, the material gathered here and presented for the first time in book form was never intended as a volume of written material. It contains a series of lectures, extracts from lectures and notes from which lectures were made, all put together in logical array. Whatever merit the book may contain is derived from the lectures. In mimeograph form it has been used as a home study course.

These unique verbal offerings were put together in Colorado at the Freedom School. Originally no more than two pages of notes, they were expanded through study, listening to many scholars, and reading important volumes in various disciplines.

Two major factors made the lectures unique. In addition to the standard methods of study (listening to authorities, reading, discussing ideas, and so on), it happened that I was employed at the time as the editor of the editorial page of the *Colorado Springs Gazette Telegraph*. The publisher, Mr. Harry Hoiles, was as interested in ideas relating to human freedom as was I. In preparing editorials for the daily paper, he demanded that I be consistent in all that I wrote. To make certain that I carried out his order, he personally checked every word coming from my pen (some 2,500 words per work day) during a period of at least ten years. During these same years, I was also engaged in lecturing at the Freedom School.

Each day Harry and I would go head-to-head and toe-to-toe over much of what I produced. And before that day ended I would find myself in front of a group of eager students, convinced that they could demolish virtually any assertion I made if they really worked at it.

The consequence of this double-barrelled challenge to my thinking processes tended toward heightened interest and an increasing sense of urgency in finding a position from which I could not be dislodged. One of the things I learned was this: if a person really wishes to understand a subject he should begin teaching it. His students will quickly instruct him in all that he doesn't know, thus giving him a chance to reduce his ignorance.

The second factor brought to the lectures was my own experience. I had never planned on becoming either a teacher or a scholar. But I had a broad and varied experience in the very real world of business. I knew first-hand what it means to meet a payroll, and what it means when you can't meet the payroll. I knew how to succeed in business and what the facts of business mean.

More than this, I had been a military man, living at government expense; I had been a politician, albeit not a good one; and I had prospered as an entertainer in radio and television and gone hungry as an out-of-work actor and a would-be published writer.

All of the foregoing means that when I lectured, I brought to my presentation a certain amount of the vernacular. I could produce a statement worthy of any pedant. But I might bracket it with a pair of earthy comments taken from the village slang. I have a sense of happiness, and the more I worked at my writing and lecturing and at defending myself from all comers, the more elated I became, convinced that I was on the right track.

So my lectures were punctuated with stories, jokes, and puns of the lowest order. I was having a good time and so were my students. This devil-may-care attitude can be both contagious and infuriating. My students reacted in both directions. But one thing is certain—few of them slept.

Before the decision was made to convert these lectures into a home study course, they had been put together in clusters of ideas, like star bursts. Going through one of my courses was sometimes compared to an intellectual obstacle course. Ideas were pitched



with such intensity and frequency that most students were in something of a scramble trying to field what was presented.

Through the years I have offered this course of study, more or less intact, to approximately ten thousand persons. Each of them had something to teach me and I have tried to learn from most.

Now, in putting this book in your hands, those working with the material have thought it best to remove most of the stories and the jokes and the puns. I have to agree. What I said *sounded* great. When one tries to read the same words, they simply don't come across. But that doesn't mean that what is here is lacking in merit. As a matter of fact, those who are quite serious in their pursuit of freedom may find it far improved in its present form.

I've now gone over the material for the last time. I think it will do the job for you. Some of the ideas may seem shocking. Some will seem trivial. Some will appear to be conspicuously true. Others may appear to be totally false. A few things will be stated which you will find in complete harmony with your existing beliefs. Some will appear to run counter to everything you ever heard or thought.

But if the book does its job, it won't provide you with "everything you need to know about freedom." On the contrary, it will open a door, point a directional arrow, and inform you that the journey in understanding awaits your own pleasure.

Any number of people have been engaged in seeing that this book finally reaches the market. I am indebted to all of them. Let me tell you about Ken Gregg, Jr., first President of Rampart Institute. Mr. Gregg is a most diligent and able researcher, I am grateful to him for uncovering documentation for a theory respecting property acquisition from nature. I have long argued that the evidence shows that when people wish to own something that is in a state of nature and thus unowned, they do so by laying claim to it. The preponderant view which is supported by nearly all scholarship, is that property becomes privately owned when an individual mixes his labor with it. I have been taken to task by some authorities for supporting the "claim" theory. However, Mr. Gregg was able to find several early writers I have never read, who spelled out what I was virtually certain had to be the case. People become owners of property because they lay claim to it, whether

they mix their labor with it or not. Clinging to the labor theory of ownership leads to a major economic fallacy still promoted by various economists which is called the labor theory of value. Thanks to Ken Gregg, Jr., I now have scholarly backing where I thought none existed.

I wish to thank all former staff members at the Freedom School in Colorado, with special thanks to Edith Shank who handled all our financial affairs in such a manner that they were forever above suspicion. I am particularly indebted to Riqui Leon and Ruth Dazey for the enormous task of assembling my notes and my writings, thus helping to issue this material in home study form. Equally helpful in research is my wonderful librarian Marji Llewellyn, who served at the Freedom School.

In this current effort I am indebted to Lawrence K. Samuels (current president of Rampart Institute), Linda Abrams, Daniel Tvedt, Sarah Foster, R.S. Radford, and Earl Gibbs.

As for my own enlightenment, I wish to acknowledge the help of Leonard Read, R.C. Hoiles, Harry Hoiles, Rose Wilder Lane, Ludwig von Mises, Frank Chodorov, F.A. (Baldy) Harper, Milton Friedman, James Rogers, Ruth Alexander, Percy Greaves, William Paton, James Ingebreetsen, V. Orval Watts, William Hutt and James Martin, all of whom came to Colorado Springs at my invitation (Harry Hoiles was there in advance) plus more than a score of other scholars in various disciplines. Each arrived to instruct others, and in fact helped to instruct me.

In addition I must acknowledge the entire senior staff of the Foundation for Economic Education, Irvington-on-Hudson, from whom I gained many insights, sometimes by visiting them.

I am also deeply indebted to William Grede, Roger Milliken, Robert Love, Charles Estes, Walter Ryan, Charles Sligh, John Roscoe, Paul Belknap, Robert Baird, C.H. Anderson, William Colson, James Doenges, Roland Holmes, Beverly Howard, Charles Koch, Marvin Shaffer, William Froh and Robert Rapp, all of whom joined me in demonstrating that at least some American businessmen are men of principles from which they will not deviate. In the process they gave me both experience and credibility, helping me raise the funds which made my perseverance in the subject of Liberty possible and practical.

Through all of these efforts, I must also acknowledge with both gratitude and humility the continuing love and support of my wife, Lois, who stood by me even when she thought I was mistaken. None of what I have done would have been possible without that backing which has extended across more than forty years and through some rather incredible difficulties.





## **PART ONE:**

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# **MAN & MIND**



## Chapter 1

# Epistemology

The dictionary defines *epistemology* as “the branch of philosophy which investigates the origin, nature, methods, and limits of human knowing.” Although epistemology is an unusual word it is the precise word needed to explain what must be done if we are to understand what freedom is all about.

Before we learn what freedom is, we have to understand the way we are going to have to think in order to come to grips with the subject. How we think, and the words we use in expressing thoughts about freedom, are primary.

*Freedom* is a word denoting an abstraction. Therefore, in studying about freedom we are going to have to penetrate into the area of abstractions. What is an abstraction? It is something we can think apart from matter or apart from physical things or physical phenomena. When we examine abstractions, we are trying to get to the essence (the real, interior juice) of an idea. An abstract word relates to an idea or a term considered apart from some material object.

We use many abstract terms in ordinary conversation. We say: “*Today the weather is hot.*” “Today” and “weather” are semiabstractions. There is no material or physical object which we call “today.” But we all know that when the word “today” is used, reference is being made to an arbitrary, twenty-four-hour period of time, which we are now traversing. It might be Sunday or Wednesday. It might be a Sunday or Wednesday in June or

October. It might be the 3rd of the month or the 21st. But when we say “*today*,” we are relating to physical reality in a time sense, although not in a three-dimensional, physical sense. So the word has reference to a semiabstraction, concrete only in so far as time is concerned.

*Weather* is somewhat similar. What is a weather? There is no such *thing*. Weather is a general term we employ to indicate a multitude of conditions including temperature, wind velocity, and humidity, as well as precipitation or the lack of precipitation. It can also relate to air pressure and the direction of the wind. It may include the various sounds such as a howling wind, rain on the roof, thunder. Some things about weather can be seen and felt. Some can only be heard. To the degree that they can be seen, felt, or heard, they relate to physical phenomena. But because weather includes all these things, it does not center on any one phenomenon and thus is a semiabstract term since it relates to many phenomena in combination. It has *no* precise meaning, yet we all know what is meant in general when the word is used.

*Hot* is totally abstract, yet we use the word constantly. “Today is hot.” “I am hot.” “That dish is hot.” Just what do we mean?

There is a way we can think about abstract terms which makes them very useful and aids enormously in our communication. This is the method of contrast and comparison. And when we have pure abstractions to consider, they will always fit into a four-point comparative scale:

- (1) Things which are identical.
- (2) Things which are similar.
- (3) Things which are dissimilar.
- (4) Things which are opposites.

To be absolutely correct, no two items in the universe are precisely alike or precisely opposite. Yet they can be alike *enough*, or opposite *enough*, so that we can reasonably apply the scale.

Thus, to understand what is meant by “hot,” we could compare one item that is hot to a second item, also hot. This would tell us little. If two items or two conditions are both hot, we don’t know much more than we did before.

We could, of course, compare hot to “warm.” That would tell

us a little more, for we would detect that what is hot has a higher temperature than what is merely warm.

Or we could compare that which is hot to that which is cool. That would give us a better basis of comparison.

But for the best comparison we can find, we should compare that which is hot to that which is cold. Now we have opposites. We still don't know how hot "hot" is. Nor do we know how cold "cold" is. But we have what could be called "mutually exclusive" terms. That is to say, if we have something that is hot, we know that it is not cold. If it is cold, it is certain that it is not hot.

We still have no real sense as to the degree of temperature involved. We are dealing in an abstract area. But we all know that if something is hot, it is not cold, and *vice versa*.

When we are dealing with pure abstractions, they will always fit into this scale of comparison. Our task in learning to understand abstract ideas is to find out not only what they are, but what they are *not*. This aids us in understanding.

When we have *semi-abstract* terms, they won't fit into the scale. What is the opposite of today? Tomorrow? Why not yesterday? What is the opposite of weather? No weather at all? Impossible. So "today" is a semi-abstract term and so is "weather." But "hot" is a pure abstraction, it lends itself to intellectual comparison.

Unfortunately, although the English language is rich in abstractions, it is not rich enough. Many abstract terms have more than one meaning, as we will discover. "Freedom" seems to be one of those words which has a multitude of meanings to a multitude of people. So we will have to be very careful in seeking to understand it. We will understand it best when we can contrast it against that particular opposite which most nearly applies in the area of thought we wish to examine. However, before we get into anything as complicated as freedom itself, there are other and prior steps.

Let's begin by considering another abstract term, "truth." It is obvious that this word is a pure abstract term. It immediately lends itself to an obvious intellectual opposite. That which is true is the opposite of that which is not true (false). But truth not only relates to facts, it also has application as a word signifying an accurate and honest recitation of facts, "the truth." It is true that you are

reading these words. It would also be a truth if I told someone that you were reading these words, when you were doing so. So truth can relate to an actual physical phenomenon and also to the recitation of that physical phenomenon.

Usually, when we wish to limit ourselves to the physical phenomenon (or even to an abstract description of a physical phenomenon), we will use the word "fact." And we like to reserve the word "truth" to the recitation of the fact. But we come to a major problem at once. Is any "fact" that we observe really true? It is always possible to suppose that what we are observing is not really true, for it might be an illusion. Or it might be partially true. Or we might correctly ascertain the fact but infer from it something that isn't quite true.

Every fact and every truth is made subject to our awareness through the use of our senses. It is not possible for us to ascertain the truth of anything without using our minds and our senses. Now, the particular fact that we observe relates to a particular order, that of the objective. That which is, is. The word "objective" is applied to anything that is objectively true. This desk is objective. It is real. It exists whether we choose to recognize its existence or not. This paper is real. It exists. It exists whether we choose to recognize its existence or not. Thus, the term "objective."

That which is objectively true exists *outside* the mind and would exist even if no human mind grasped the fact of its existence. But it is not possible for us to know of the existence of anything without employment of our senses and/or the use of the mind.

When we discuss the use of the senses or the use of the mind, we are talking in subjective terms. The mind is real and the senses are real. They are objective. But the manner in which they are employed depends upon each human being who uses his senses and his mind. In all uses of the mind a subjective (dependent upon the individual) process ensues.

The whole purpose of education is to cause us to observe (subjective) the facts (objective) so that we can correctly *know*. Knowledge is the putting together of objective reality by means of the subjective process. Thus, knowledge is both objective and subjective.

There are those who contend that subjectivity is everything. They contend, and rightly, that no one ever really knows anything unless the senses and the mind have been employed. But they go on to suggest that once an object of reality is removed from our immediate sense of awareness, it really ceases to exist. What is meant is that it ceases to exist for that individual at that time. Thus, I am sitting at a desk. I get up and go out of the room. How do I know the desk is still in the room? Or, for that matter, how do I know that the room or anything in it is still there? I don't *know*, the subjectivists will assert. I only assume that it is still there. Of course, I can return and find things just as I left them. But while they were removed from my immediate sense of awareness, they might have ceased to exist entirely and are only brought back to reality by my own presence. The subjectivists contend that the mind is *all*. And by making this supposition, they essentially make it appear that all phenomena are nothing more than the creations of the mind.

Many others do not accept that the mind is everything. They can concede that knowing and observing are processes that involve the mind. But they further contend that there must be something real for the mind to focus on. Experiments in cybernetics indicate that man is dependent upon his environment to an enormous degree. If a man is removed as totally as possible from all environmental influences, he hallucinates, that is, he begins creating figments of his imagination.

This might seem to confirm the subjectivist position, but the confirmation is lacking for the following reason. When I am dealing with reality, I am not dependent upon my own senses and my own mind exclusively. I leave the room, but I ask another man to enter the room with a camera and photograph what he finds in it. The photographs he produces and his own personal observations confirm my own conclusions concerning the contents of the room. Even in my absence, the reality of the room continued to be.

Of course, it can be argued further that the only confirmation I am able to obtain from a photograph taken by another person is the confirmation of my own senses in viewing the photograph. This is, of course, true. But any number of persons can be brought into the room to photograph, to sketch, or to verbally describe its

contents and in all particulars where we are dealing with reality the descriptions, pictorial or otherwise, will converge upon that reality.

When we deal with hallucination and figmentary imaginings, such confirmation fails. No two people hallucinate in precisely the same way. Nor will an ordinary camera record hallucinations. Thus, the workings of the mind in conjunction with observation of fact (truth) or in conjunction with non-environmental conditions (figmentary) are not the same.

There are also those who contend that objectivity is everything. They contend that the world is real and that everything that is, is. They are correct in their contention as to the existence of reality. But they are not correct when they contend that the uses of the mind are also objective. It is from this argument that the assumption grows that accurate knowledge is totally objective and that anything that is incorrect is subjective.

Thus, those who favor objectivism attempt to make it appear that the “rational” man is one who has objective knowledge and the “irrational” man has only an opinion which remains subjective. This is a very attractive way of looking at things for it can always be interpreted to mean that you are “right,” and that anyone who disagrees with you is “wrong” and hence “irrational.”

The weakness in this philosophy relates to the fact that no one ever really knows everything about anything. You only know those portions of reality that you have observed and correctly understand. Knowledge is an open circuit, not a closed one. You can always learn more. This will be more fully demonstrated later on. The process of education is a continuing one.

The philosophy offered here actually combines subjectivity and objectivity without denying the valid features of either. The real world is objective. It exists whether you are aware of it or not. The uses of the mind are subjective. They relate to the manner in which you observe and the way in which you think. Knowledge is the correct union of the two.

Something else must be offered before we can proceed to an examination of the learning process. Not only are the things of the physical world real, and hence objective; there are principles that



can be learned which relate to the workings of the physical world. A principle also falls into the objective area.

The reason a principle must be classed as an objective phenomenon relates to the rules which make it possible for us to discover a principle. All principles are working rules that explain how specific results can be obtained. Men do not create or invent principles, they discover them. All principles are a part of the real world and, like the real world, they only await discovery. Men create and originate values and ways of looking at things. But they do not, by their minds, create either things or principles.

Characteristically, all principles have universal application. If we are really dealing with a principle, it applies equally well in all parts of the world under the prescribed conditions. Also, it applies equally well to all persons, irrespective of nationality, creed, or color.

Further, if we really have a principle, it will apply continuously through time. Many times people believe they have discovered a principle only to find that it will not apply universally. In that case, it isn't really a principle. This may not necessarily remove its usefulness but to be accurate about it, we have to stop calling it a principle if its application cannot be made universally.

So we are confronted with what could really be called three philosophic orders:

- (1) The order of *objectivity*: truth, fact, reality, that which is—including those truths and facts which are predictably linked together in a cause-effect relationship, the results of which linkage can be universally predicted.
- (2) The order of *subjectivity*: opinions, points of view, ways of looking at and examining objective phenomena, values.
- (3) The order of *knowledge*: the combination of reality (objective) with the correct workings of the mind (subjective).



## **Chapter 2**

# **Action**

In the foregoing chapter we examined something of the nature of abstract reasoning. Now we want to apply some of that reasoning as we take a closer look at the subject of freedom.

First, whose freedom is important to us? It is human freedom that concerns us. Not the freedom of Americans or of white men or of people who practice a particular religious faith exclusively. Our concern is with human freedom, the liberty of all men.

The reason we are concerned with human freedom is that the entire purpose of this study is to try to find ways and means of enhancing or maximizing human well-being. We are not concerned with maximizing benefits for cows or horses or dogs. And we are not concerned with improving the lot of lilies, trees, or potatoes. We are not concerned with benefiting insects or fish or birds. In this study we are concerned exclusively with human beings and we want to find things that men can do in order to make human life on this planet more satisfying, more beneficial.

But it is important that we recognize the impossibility of ever attaining anything as elusive as perfection. To understand human liberty isn't the process of designing a Utopia for all and then putting everyone into it. The process of enhancing human well-being is the process of understanding the nature of man and the nature of human action.

*Praxeology* is the word used to mean the study of or the science of human action. Our concern is acting man. All living men must

act. If a human being becomes absolutely quiescent, he is no longer living. Our concern, therefore, must be with the living. Carried further, our concern must be what men do, why they do what they do, and how they do what they do.

What human beings do is evident all around us. They move about (travel) over short or long distances, creating, devising, building, and operating. All over the world are cities men have built. All over the world are factories which are used to put together the component parts of the things men use either as producers or consumers. Also, men destroy things. They are engaged both in destroying things through the process of consumption and they are engaged in destroying things wantonly. We will talk more about this at a later time.

Additionally, in the process of their comings and goings, men form relationships with others of their kind. Also, they disrupt relationships which have been formed earlier. All over the world they are engaged in procreative activity through which process the species is perpetuated. Men act in an effort to procure the satisfactions they seek, either through constructive or destructive procedures.

Man is a communicator. He does not act alone for the most part. He may act alone and to some degree must act alone. But in his major endeavors he communicates with others in a constant effort to explain what he is doing, his hopes for the outcome, and his justifications for what he has done before.

Thus, acting man occupies the center of our stage. And every man at every moment of conscious thought acts in harmony with his deepest convictions. Man is a believer. He believes certain things to be *true*. His actions are based on his beliefs.

Other living organisms are not as addicted to beliefs as man is. Many creatures apparently act from what is called "instinct." They don't have to believe. They apparently have a set of patterned responses built into them or that they inherit at the moment of birth. Thus, in a study of other living organisms we usually find evidence of patterned behavior. So far as we know, other living organisms don't employ reason very much. Man, therefore, is referred to as a "rational" organism or a "rational" animal.

This use of the word "rational" does not imply that man's reasoning will always be accurate or correct. It relates to the fact that man acts on the basis of his reasoning powers, whether they have led to correct or incorrect conclusions.

In order to differentiate man from other living organisms, we will refer to man as a "rational" organism. All other living organisms we will class as "instinctive."

This generalization is a long way from being precise. But it will serve to focus attention upon that unique characteristic of man, his mental equipment and ability. All other living organisms, although they may employ reason to some degree, have very limited thinking equipment or ability. Man's equipment and ability *in comparison* are gigantic.

A number of scholars have indicated that man's mental equipment is far ahead of his practice in using that equipment. Some have even suggested that the average man doesn't use more than 8 or 10 percent of his mental capacity and that even a genius probably doesn't employ more than 20 or 25 percent. It is conceivable, if the conclusion reached by these scholars is correct, that the true human frontier is the frontier of the mind. Possibly as much as 75 percent of man's intellectual potential is still *unexplored*, let alone put to use.

Because man is a reasoner, man is perpetually engaged in testing data and evidence in his mind. There is only one reason he does this; he wants to find what the truth is. Man is a seeker after truth. He has to be.

The only reason the species *homo sapiens* has been able to survive at all relates to the evidence that in many particulars man has learned truth. He hasn't always found truth, but he has found it enough to learn the nature of many materials and organisms in the world. Without this knowledge (objective reality combined with subjective uses of his mind), man would long since have perished. This does not imply that man knows everything. But he has acquired sufficient knowledge to arrange a workable relationship between himself and the other natural elements of this planet.

Man has learned, for example, that there is a predictable cause-and-effect pattern in many places. If man plants wheat, he will

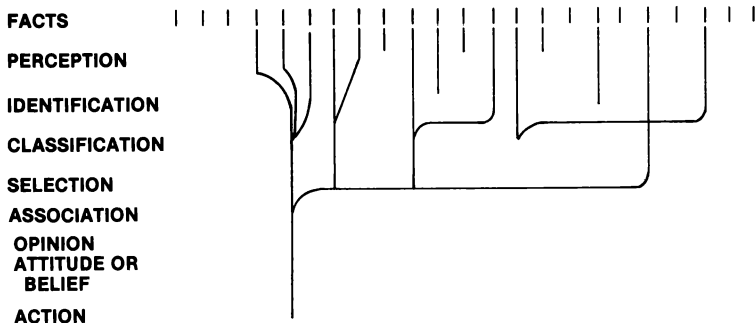
harvest wheat *if* he harvests at all. He will not harvest a crop of pomegranates or olives or carrots. If man lets go of an object that is heavier than air, it will fall to the earth. It will not fly off at right angles nor rise unless it has some motor power within it.

After man has learned certain things, he begins to act in terms of predictability. He wants certain satisfactions in order to continue to live. So he learns the nature of many things and acts in expectation that the results he wants will be forthcoming if he sets the correct causes into motion.

Man's ability to survive is directly related to the fact that this is an ordered universe acting according to natural laws, or to the methods of procedure which nature invoked long before man appeared on the scene. Man does not invent the order of nature. He discovers it and is bound by it. This, as was observed earlier, is the objective world of reality.

Because man is a rational rather than an instinctive being, man is constantly engaged in the learning process, the process of acquiring knowledge. And, as we have said, the process of acquiring knowledge is the process of making observations respecting objective reality and reaching a correct belief (conclusion) concerning them.

There are certain steps that are taken by all of us as we first arrive on this planet. The infant arrives without knowledge. He may inherit certain traits or tendencies, just as he inherits his gender, his physical body, and his physical mind. But he *knows* nothing. So a process ensues whereby he begins to learn, to acquire knowledge. The chart below may be helpful.



The infant begins by *perceiving* the existence of certain phenomena (*facts*). He does not perceive everything. Some things will escape his notice. But the things he does perceive, he begins to *identify* in relation to their fixed characteristics. If he is lying in a crib, he may perceive the sides of the crib. But he will have no knowledge of what is under his crib because he has no way of perceiving it, and we know of no way to communicate this much of reality to him. The area of his perception becomes his entire world for the time being. He may perceive his blankets, his rattle, his hands and fingers, his feet and toes. In perceiving, the infant will use all of his sense organs as rapidly as he can organize them and begin to employ them.

There will be some items that he only perceives but does not identify. However, as he identifies, he begins to *classify*. But his classification will be incomplete. Some items that he perceives and identifies he will not classify.

This entire process of perceiving, identifying, and classifying comes under the general heading of *selection*. Here the infant's ability to choose is first detected. He will choose to become familiar with certain phenomena and he will choose to ignore other phenomena. This ability to choose will create broad variations in what is to occur later, no two infants perceiving, identifying, classifying, and thus selecting all things equally. There is a factor of motivation here that will be discussed later. But the dominant characteristic at this early stage of learning is freedom—the freedom of the infant in making mental choices.

Once selection is fairly well advanced, a process of *association* occurs. The infant associates the identities and classes he has observed, first with himself and then with each other. Everything that he observes is related to him in time or space. And everything that he takes into his consciousness is taken in as it relates to *him*. He is the center of his world. He must do these things himself. No one can do them for him.

Once he has his world fairly well straightened out as it pertains to him, he begins to formulate an *opinion* about it. An opinion is an overall view of just what kind of a world this is. Everything that he is conscious of, now goes to help shape his opinion.

If many things in his world have frightened him, he is apt to form an opinion that the world is a rather terrifying place. If, on the other hand, very few things have frightened him, he may feel that the world is a rather friendly and happy place. His opinion is predicated upon prior association and selection.

When facts have been noted and associated, the mind puts them together and formulates a concept. We form concepts at the point of "classification" on the chart. Man, in order to deal with the world about him, cannot do so by treating every event, fact, and object as a purely isolated thing. He must, in order to make the world intelligible to him, *classify* things into categories, so that he may then deal with the facts about him in groups, or in categories.

For example, we classify certain objects which are used for seating people as "chairs." We go further and classify "chairs" into a general categorization of "furniture," in which are contained not only chairs, but tables, beds, lamps, and the like. We do not always refer to a group of persons as "Bill and Jim and Pete and Charley," but categorize them as "men." On and on we go, continually grouping facts according to their similarities and their distinctions from other facts that are not a part of that category.

Men must do this in order to "put things in order" in their minds. They need to understand as much of the world as they can, and they do this by a continual process of comparison of one object with another, grouping facts according to their similarities.

All concepts are generalities leading to a conclusion. The conclusion held is an opinion. The opinion could be right or wrong.

If the individual has noted facts correctly (including the important and weighty facts), and in process or subsequently can provide evidence in support of his facts and conclusions, and if these same conclusions can be made the independent results of others, then it is correct to term the opinion *knowledge*.

It is entirely possible, however, for a person to conceptualize and reach a conclusion which is correct but which cannot be proved either by evidence or experience. When this occurs, we must still refer to his conclusion as an opinion, for it has not been or possibly cannot be proved. The absence of proof does not demonstrate that the opinion is in error. But it does demonstrate that the opinion is



not knowledge. There is a great tendency for persons to presume that all opinions are in error. This is not the case. An opinion can be either correct or incorrect. If it can be demonstrated as being correct, then we can claim that knowledge has been gained. If the demonstration is lacking, it remains an opinion.

The person who says, "I know there is a God" (using the term "God" to mean a personalized, anthropomorphic interventionist in human affairs) and the person who says, "I know there is no God" (in the same sense) are in the same category. Neither has knowledge. Both are expressing opinions. Thus far, all human reflections concerning an anthropomorphic deity fall into the area of opinion (unproven hypothesis). The opinion of either could be correct. Until substantial evidence can be offered in either direction, such statements must be viewed as opinion and we usually say they are based on faith.

The person who says, "I know there is a God," seeks to substantiate his opinion on the grounds that apparently miraculous intervention has occurred in certain cases. But he cannot demonstrate that what he interprets as miraculous intervention does not proceed from causes other than divine intervention.

Similarly, the person who says, "I know there is no God," seeks to substantiate his opinion on the grounds that there is no evidence to sustain the statement, "There is a God." But a lack of evidence does not establish knowledge. You cannot prove a negative.

In anthropological research, the evidence thus far uncovered leads to the belief that primitive men always lived in groups. The reason this belief is offered relates to the fact that thus far we have no evidence of the existence of men, at an early date, in some kind of isolated individualistic condition. The failure to find the evidence proves nothing. One day we may find such evidence. Meanwhile, on the basis of the evidence we have, there is no more than a probability relating to the group-orientation of early man. Thus, we deal here with opinion and not with knowledge. We may refer to it as an "educated" opinion, but it is still opinion.

To have knowledge that no single instance existed in which a primitive man sustained himself in isolation, we would have to know the way in which every one of our primitive forebears lived.

It is doubtful that we will ever have such knowledge. Without it, we cannot state that we “know” that all primitives lived in groups. But we can state that it is probable that all primitives lived in groups, based on the available evidence.

Once a man has formulated an opinion, he tends to create a habit of thought. He returns to his opinion (conclusion) again and again. In fact, he now treats his opinion as though it were a fact, and he puts it back into his mind classifying it as such. This makes it possible for him to weight his opinion, thus helping to sustain his belief that his is the “right” opinion.

As he does this, he develops an “attitude.” An attitude is no more than an opinion to which conviction has been added. He now *believes*. He is confirmed in his viewpoint. He is certain he is *right*. This means that he believes he can predict. He can reasonably expect the world to be tomorrow as he experienced it today. Confidence grows and he begins to act in terms of this new confidence. He *knows*.

It will be seen at once that the process of converting the perception of phenomena into *action* or reaction is a narrowing one. Some things at first don’t fit in. Man’s actions tend to be based on those conclusions he has reached which are confirmed to be true in his thinking. The facts the infant had to deal with at the beginning are limitless. No one ever, in an entire life, will perceive all the facts in the universe. It isn’t necessary that he know everything. But it is necessary that the opinions he forms be accurate ones so that his actions will be realistic, rather than unrealistic and out of harmony with the facts.

It is clearly seen in the chart that the facts observed are objective and that the action finally taken will be objective. The process by means of which the mind is employed is subjective, that is, entirely individualistic and personal.

It is also easy to see that if an individual fails to observe a rather important fact in terms of reality, it could be a serious and even fatal omission. This is why the learning process is so vital. It is bound to be vital for any rational organism.

It is also apparent that if two infants are exposed to the factual world and each of them has slightly different facts to deal with at

the beginning, they will reach conclusions that are somewhat dissimilar. All through life this same process will continue. By the time we reach late childhood, we are already dealing with widely varying views as to the nature of reality. Each view probably has some objective data behind it. But if the facts selected vary and the emphasis given in the process of classifying and associating varies, it is predictable that opinions and beliefs will vary.

Here is where the real problem of human interrelationships arises. Since *every one of us* is certain that our beliefs are correct (and we have our own observations drawn from our environment which have tended to supply confirmation), it follows that *every one of us* who finds someone else holding to a view that is different from *ours*, will conclude that the other is wrong. This must be so, since each of us is convinced that he is right.

In a sense, all our arguments and all our laws and all our crimes and wars, as well as all our productive and constructive actions, are predicated upon differences of view. This must be so, since we all do not do the same things at the same time. But here is the problem. When we find another person acting in a manner which varies from the way we would act under similar circumstances, we conclude that he is *wrong* and that we had better do something about it. That is why men resort first to argument, and finally to force. We are not content to let nature take its course to bring about its correctives in its own good time and in accordance with its own laws. Since we have concluded that we *know* nature (facts), we often proceed to act as if we knew *all* nature. We inflict our views by force upon those who hold different beliefs.

The competition that exists in the world between governments and churches gives ample evidence of the conflict in widely-held beliefs. Governments and churches, as well as educational institutions, have been created for the purpose of providing *patterned* beliefs. Now it happens that certain patterns of belief are unavoidable because nature itself is patterned. When we really know something, others are likely to come to know it as we do. Reality always brings a convergence of view concerning the objective world. But none of us ever knows all of reality.

Rather than exerting force to bring all others into compliance

with the patterned beliefs we hold, it is more desirable for us to seek to learn more, and in the process of learning, to teach more. If we really do know reality in a given case, it can be taught to others. If we don't really know (we are bound to believe that we do, in any case), then we ought to begin to teach what we do know. There is no method ever devised by means of which the individual can learn more rapidly than the method of seeking to teach others. The moment you begin to teach, you expose the areas of your own ignorance. These areas can be filled in by the experience, observation, and knowledge of those who are to be taught.

If we were to begin to view the world as a giant schoolroom rather than a giant battleground, we could enormously improve human relationships and enhance human well-being.

## **Chapter 3**

# **Motivation**

There was a time when the ancients believed that man's emotions were created by some special organ in the body. They identified the brain as the location of the thinking process, but they accepted the notion that feelings and thoughts were entirely different and hence must originate in different parts of the anatomy. There were some who felt that the heart was the seat of all worthy emotions. Others held that the spleen, the liver, the solar plexus, the pancreas, or some other organ was used in creating feeling.

Modern study has tended to discard this ancient idea. Emotion is an intensity of desire which can be expressed positively or negatively. But it apparently operates in conjunction with the brain. It is entirely likely that emotion (desire, want) is contained within every thought we can muster; and, similarly, that it would be impossible to think at all without the element of desire or want being present. We know, of course, that operations on the brain in which various lobes are removed or isolated result in declines of both the power to think and the ability to desire.

In the preceding chapter we talked about the learning process and how men formulate opinions, develop attitudes, reach conclusions, and then take action. It is certainly true that no one would ever do all that work unless he "wanted" to do it. Therefore, it must be that there is a very deep and basic "want" or "drive" underneath all thinking and doing.

In the area of emotion or motivation (desire or want) we may be

dealing with instinct. If we are not confronting an instinct *per se*, we are at least confronting an instinctoid trace from earlier times. What do we mean by instinct and what do we mean by instinctoid? The dictionary says that instinct is “an inborn pattern of activity and response common to a biological stock; innate impulse or natural inclination or a particular natural inclination or tendency.”

Man as a biological stock appears to have a common inborn or innate tendency to satisfy his wants in terms of an *individual* drive toward gain. This inborn tendency does not result in a single type of behavior (due to man’s ability to subjectively evaluate data), but derives from a common drive toward gain. Since this is universally true of all men and is as much a part of them as their physical structures, it is obvious that the trait toward gain is inherited (instinctive, by definition).

Since, however, no single pattern of behavior follows a given stimulus, it may be improper to refer to man’s behavior here as instinctive. Rather, it may be instinctoid, that is, it may be based upon an earlier type of instinctive response which, due to man’s improved mental ability to evaluate, no longer appears as a patterned response, even though the drive can be isolated as inherited and continues as a pattern.

While we cannot predict what men will think and consequently how they will act, we can predict how they will feel, at least to a degree. We can find an emotional pattern undergirding human action. We can detect some basic drives which are universally held by all men.

Just how a particular man might act in a given case, we do not know. But if we are careful in examining the drives all humans have, we may be able to trace a particular type of behavior back to a certain drive or desire.

In examining human behavior some scholars, at a much earlier date, came forward with the observation that all men have an instinct for self-preservation. This idea was rather broadly accepted. For a long time it was believed that all men had an instinct which compelled them to preserve their own lives.

Then as we began to look more closely we saw that some people did not act to preserve their own lives under certain conditions.

Having a choice between preserving his own life or preserving something else which he held in higher value at that moment, a man might choose to lose his life in favor of this higher value. There was no pattern as to what the higher value might be. In some cases, considerable conditioning (instilled mental habit) might have preceded this choice. In other cases, apparently no conditioning occurred. A particular individual valued the life of another person (his spouse, his child, a prominent figure, a stranger) above his own at a given moment. Or possibly he valued an item of property, or a situation, or a relationship, without which he viewed his own life on a lower plane of value.

Although it may seem to us, when we are not under the pressures occasioned by an ultimate choice of this sort, that the only reasonable procedure is to value our own lives above everything else, this is not necessarily true. The availability of alternatives, as well as circumstances and costs surrounding each alternative, will influence our scale of values. Obviously, most of us will value our own lives very highly most of the time. But suppose a man has been seriously injured and is suffering great pain. He knows he will not recover, yet he might linger for months or years on a bed of pain. He may, with entirely sound reasoning, prefer death to life under those circumstances when he cannot avoid them.

A great many fine minds have been engrossed with this problem of motivation for a very long time. Everything hasn't yet been learned. But if we stop using the word *instinct* for the time, and talk about *human desire*, it is possible that we can chart some patterns respecting human behavior.

Every human being has many desires. He spends his entire life trying to satisfy his wants, one way or another. The different objects that he believes he wants to satisfy his various desires are certainly not matters of instinct. The different desires he has may or may not be instinctive. But the fact that he desires at all is probably an instinct and entirely unavoidable.

Let's consider, in turn, four fundamental human desires:

- (1) Desire to prevent loss.
- (2) Desire to promote gain.
- (3) Desire for approval of others.

#### (4) Desire for self-approval.

Instead of saying that all men have an instinct of self-preservation—which doesn't appear to be true on the basis of the evidence—it is correct to say that every man strives to prevent or to minimize loss. Loss of what? Loss of anything he values.

If he values his life highly, he will certainly take very great steps to preserve it. But he will also take steps to preserve everything else that he values. In the case of a conflict between two items, both of which he would like to keep, if he finds he must lose one, he will strive to lose the item of lesser value. So it would be correct to say that men act not only to prevent loss, but to minimize their losses.

What is important to grasp here is the universal character of this desire. When we were talking about the objective world of facts and how we observe and formulate concepts and take action, we could see an infinite variety in all the human behavioral patterns. No two would be alike. When we are talking in terms of desire, we find desire or motivational patterns that are alike. It is safe to predict that every human being in the world will act in an effort to prevent or to minimize his losses. We can't predict how he will act, because we have no way of determining his values. But that he will act to prevent loss is certain, regardless of his values.

But man is more than just a fearful creature, flitting from shadow to shadow trying to prevent or minimize his losses. Man will also strive to promote or maximize his gains. And although, in a sense, to minimize a loss is to maximize a gain, or *vice versa*, the general kind of behavioral pattern to emerge will depend upon whether the individual at the moment is seeking to maximize gains or minimize losses.

It is typical that a man fearful of loss will seek to avoid risk. He'll retreat, hide, or try to find comfort by close association with others who may also fear a loss. However, if a man has put this fear aside and is actively seeking gain, we'll find him acting in quite another way. He'll adventure, dare, take a chance. He'll be willing to run a few risks. And he usually will not be seeking the comfort of others with whom to share his gains.

Characteristically, when a man seeks profits, he wants those



profits for himself. When he anticipates a loss, he wants others to share it with him. Thus if profits are anticipated, we can expect the individual to act individualistically. He will be willing to stand alone so that he can have the benefit of his gains without having to share them with others. Conversely, if a loss is anticipated, we can expect the individual to act collectively. He wants the comfort of knowing that others are "in the same boat." So while it could be true that to minimize a loss is to maximize a gain, the kind of behavior undertaken can vary profoundly, depending on the views of the person who is acting.

If we take the third item in this list, the desire for approval of others, we find one of the fundamental disciplinary desires acting in all men. Although many of us pride ourselves on being ruggedly individualistic in our views, the fact is that we are concerned with the opinions others have about us. This is probably one of the major reasons why human beings tend to create broad patterns of behavior. If you live in a particular part of the world, you will tend to absorb the culture prevalent in that area. This means that you will wear much the same kind of clothing, eat much the same kind of food, keep much the same kind of hours, and pattern your behavior in general on the mores in that particular locale.

Frequently, when people feel rebellious about one thing or another, they will seek to communicate their rebellion by violating some more or less accepted pattern. Usually such rebellions are truly models of conformity, although they parade under the banner of nonconformity. An example of this appeared during the 1960s respecting the length of hair favored by men. Rebellion against the past made long hair the "in" thing. The rebels insisted on long hair, keenly interested in winning the approval of their fellow rebels, while they defied all others. Those who disagreed with the rebels were just as keenly interested in winning the approval of other non-rebels as they were in defying those in revolt.

Thus both groups sought the approval of others. Actually, each human being does this. Were this not true, a market where goods and services could be exchanged would probably be impossible. Every producer or purveyor of goods or services must actively win the approval of his customers. Therefore, he must concern himself

with other people and seek to anticipate what they want that they will pay for. Failure to win this approval will certainly destroy any enterprise.

In addition to seeking the approval of others, we can turn to number four on our list and find that each man seeks self-approval. This is so basic there is a good argument that we could have listed it first. Every human being must think well of himself to at least some degree. The individual who blames himself for past actions or who holds a burning dislike of himself in his mind because of some wrongful action he might have taken, loses approval of himself. If this disapproval of self persists, the individual will become depressed and might even become mentally unbalanced. It is absolutely imperative that every human being think well of himself. Self-hate or self-loathing will destroy a mind.

There is a difference between thinking well of one's self and being conceited. The balanced individual approves of himself and can find reasons for this approval. His conduct is as balanced as his outlook.

There are many reasons why an individual might become dissatisfied with himself and deal with himself cruelly. A person might be disappointed in his appearance, his skills, his mental capacity, his behavior. But if he is balanced in outlook, he will see good points which will tend to compensate for the bad points.

No human being is all bad and, equally, no human being is all good. If a person's view of himself is predominantly negative, he may actually make himself ill. If a person's view of himself is so elevated that he can detect no flaw, the chances are rather good that he will annoy his peers who may resent his pretensions.

On balance, the individual's view of himself should be on the positive side. Once this view is attained, the individual will be motivated to gain greater positive advantages. Then he may be willing to venture, to dare, to be a risk taker. In fact, this is the major characteristic that accompanies the person who not only seeks his own approval, but has found it. He is not content with routine. He seeks newer and better ways. He will be quite willing to be alone, since the gains he makes will accrue to himself and he doesn't propose to share them with others if they are really his. In a

sense, the individual seeking approval of others is seeking self-approval, too. For he can approve of himself *because* others approve. Similarly, if he can approve of himself it may well be because he finds in this self-approval convincing evidence that others will approve. As with the first pair on our list of four, there seems to be a single item here, expressed in two different ways. Yet, as before, there is a discernible variation in behavioral patterns when men are acting because they seek self-approval or because they seek the approval of others. The man seeking the approval of others will not innovate, he will emulate. He will conform. He will try to please others. He will be group-oriented and will conduct his affairs where the group will respond. He will seek to discipline himself in terms of what others want. But when he seeks self-approval, he may very well become an innovator. He will not necessarily conform. He will place his value of himself at so high a point that he would rather be right and adhere to his principles than win plaudits from others. This means he may run counter to popular belief, which he would scorn. In this frame of mind a man will run risks, become an adventurer. He may provide risk capital, try to set up a new business, or possibly journey to the ends of the world or of space to prove a point. He will seek to discipline himself in terms of his own objectives.

What we should see is that the pattern of behavior may vary but that however it varies, it can be traced back to one or another of these motivational desires: to prevent loss, to promote gain, to win approval of others, to approve of one's self.

There are many other patterns we could explore if this were a study in human behavior. However, for our purposes in getting to the roots of human action, we have done all that is necessary at this point. We can now take the four points itemized and sum them up to arrive at a generality, which we believe we can state as an unvarying rule, or principle. All human motivation is profit-oriented.

Men do what they do because they believe they will gain from their actions. If they do not think they will gain, they will not act.

Thus, all human motivation is *self-centered* and egoistic. You cannot think without putting yourself in the middle of your

thought. You cannot detect any objective fact in this world without discerning a relationship between yourself and the fact that you discern. Man is inner-directed, inner-motivated, inner-controlled. And every action you take, as well as every action you refuse to take, will be taken or rejected in terms of your own anticipation of profit.

Don't make the error of supposing that profit means a profit in dollars. That is not what is meant. A profit in dollars is very far removed from the minds of many men. But *all* men are profit-oriented, if you understand that the situations or goods or relationships they view as profitable to them, are what they are seeking.

We can sum it up another way: Every human being has a limited amount of time, energy, and talent. No one has infinite time, energy, or ability. Because none of us is infinite and none of us is immortal, we all have a basic sense of uneasiness. We act in an effort to eliminate or reduce that area of uneasiness in our minds. This is to act in search of profits. There is always a plus factor in our volitional behavior.

We seek to avoid loss. That is profitable behavior. We seek to make gains. That is profitable. We seek the approval of others. That is profitable. We seek to think well of ourselves. That is profitable.

The question will be raised: What of the man who acts so that he sacrifices himself in favor of another? He is the altruist. Isn't it possible for a man to be an altruist? The answer is that this is *impossible*. There is such a thing as sacrifice, of course, but there is no such thing as self-sacrifice.

The word *sacrifice* is interesting. Its origin is probably rooted in the dim past when priests and shamans stole the lives or properties of others in an effort to carry out some religious rite. "Sacrifice" means "a sacred feast." The word probably came into usage to serve as justification for theft, so long as the theft was motivated by some "higher" purpose. It is easy to see how the killing of animals or men, or the burning of some type of vegetation on an altar, served as a prelude to a sacred picnic. All sacrifice is nothing more than theft. However, it is presumed to be a sacred theft, and hence

justified, provided that the purpose of the theft is to serve some “higher” end.

But no person ever steals from himself and thus never sacrifices anything of his own. When he chooses between two items of value, sacrifice in this sense is not possible—just as you are not a thief when you take something belonging to yourself, for whatever purpose. The person who acts to benefit another and appears to sacrifice himself in so doing is really acting in favor of profit for himself if we may stipulate that his actions are taken volitionally.

One hears many parents say: “We’ve sacrificed everything to give our son or daughter a good education.” Nonsense. They’ve “sacrificed” nothing at all. When confronted with the choice of having a slightly higher standard of living for themselves, or helping to provide a higher education for their offspring, they volitionally chose the latter. That was a profit-oriented decision and no sacrifice. Other parents, when confronted with precisely the same choice, have chosen to go the other way. Each family chose its highest value as it was viewed at that time.

Of course, another way that a person obtains a sense of profit is by appearing before others as something of a martyr. We sometimes seek to elicit sympathy and affection this way. So we like to tell other people how great our values are in that we helped another rather than ourselves. That sense of approval we get from others is part of the profit we receive.

Of course, if we are in a group of hard-headed capitalists or people who think of themselves as such, we can win their approval and bask in their applause by letting them know how completely indifferent to approval of others we are. It is a part of the same syndrome.

The word “sacrifice” should rightfully be reserved for actions wherein volitional choices and actions are denied or prevented. Here we invariably have a sacrifice. For example, a man is compelled to enter a cage filled with lions. The king or some person wielding power forced him into the cage. He is a sacrifice and is being sacrificed. In fact, he is a sacrificial victim because he was forced into the cage irrespective of the way the lions respond to him. He might emerge unscathed, but the sacrifice occurred at the

moment the will of another was imposed over him by force. However, if a man of his own volition enters a cage filled with lions, this is never a sacrifice. And this is true irrespective of the behavior of the lions. Since he volitionally chose to enter the cage, he acted to fulfill his own sense of profit at the time. This may have been an error, but we are not concerned while studying motivation, with applying the test of wisdom.

If you'll think deeply about this point you will readily see the significance of the argument. If a man is free to choose, whether he chooses wisely or foolishly he is going to choose in terms of profit for himself as he sees it. If a man is forced, even to the point where he is compelled to adopt a superior procedure or good, he is a victim of sacrifice.

Think of sacrifice this way. I do something to you against your will. Or you do something to me against my will. The person acted upon by the will of another is the victim of sacrifice.

But suppose you voluntarily decide to help another, or to contribute to your favorite charity. This is not self-sacrifice, for there is no such thing. This is merely acting in terms of your own value sense. And even here you are seeking profits. For you seek the satisfactions from yourself or from others for having acted in this way.

Let us sum up this way. Every human being, regardless of race, creed, color, nationality, or financial condition, seeks profit. That is to say, he seeks the satisfactions he can obtain only by living his own life, making his own decisions, and obtaining as many good things for himself as possible. He has a sense of uneasiness and therefore he is motivated to act. Because he is motivated to act, he always selects those actions which, to him, seem to enhance his profit. Man is inner-directed, inner-motivated, inner-controlled. He and only he controls his own energy. He will always seek to control it in terms of the good as he sees it at the time.

## Chapter 4

# Responsibility and Obligation

The concept of freedom rests, in part, upon the idea of responsibility. What does responsibility mean and what does it entail?

*Webster's* is not too helpful. The dictionary says: "(1) State or quality of being responsible; specif: a. accountability; also, moral accountability; as, the responsibilities of parenthood. b. reliability; sometimes ability to pay. (2) A charge for which one is responsible or accountable as, to seek relief from his responsibilities."

To define a word it is essential that the word to be defined not be used in the definition, and *Webster's* violates that rule in this case. What is really meant by "responsible" is the method we have of indicating the person to whom credit or blame accrues as a result of actions taken or attempted. The person responsible for an action may accurately be afforded the credit or the blame for the results arising from the action.

As we indicated in the first chapter, whenever we examine an abstract term it is important that we contrast it to another abstract term which means an opposite abstract condition. In this instance, the obvious opposite of "responsible" is "irresponsible." But this is a little like using the term "responsible" to define what is meant

by “responsible,” and it is not entirely satisfactory, for we are merely saying that if a person isn’t responsible, then he must be irresponsible. We still don’t know what responsible means.

To come a little closer to an understanding of what is implied by the word “responsible,” let us contrast it to the word “obligation.” While these two words are frequently used as synonyms, there is one point wherein they are opposites. And if we can discover this point, it will help us to understand the meaning of both “responsibility” and “obligation.”

We will put the two words into a chronological context. And we will now specify that “responsibility,” looked at in a framework of reference that includes the time factor, relates to the past. This is to say that a person is *automatically* responsible for his actions in all prior time up to the present. Thus, since man controls his own energies as well as his own decision-making ability, every action he has taken results in his being credited or blamed for the results of these actions. Nor can this be avoided.

However much a person might like to be relieved of his responsibilities, this cannot occur in fact, if we look at it chronologically. Since the individual is the only one who can make up his own mind, and the only one who can command the use of his own energy, he may rightfully be credited or blamed for the results that accrue from such decision and action. No one else can be accurately credited or blamed.

Curiously, as *Webster’s* has anticipated, we live at a time when many efforts are made to make it appear that the individual isn’t really responsible for his decisions or his actions. A young man robs a gas station, or joins in a riot. We are told that “society” is responsible, or the government is responsible. Or perhaps we will be asked to believe that his parents were responsible for not having given him more spending money. Or possibly we will be told that his teachers were at fault. Maybe the argument will run that the authors of books he has read or the photographers of pictures he has seen are responsible for his behavior. The fact is that in the sense in which we are presently employing the word, the young man *is* responsible, since only he could have made the final decision to rob the gas station and only he could command his energies to accomplish or attempt to accomplish this objective.



Now, it is quite true that responsibility is not a condition that exists in nature. Like any other abstraction, it has to be learned. And it is easy to ask "But is the person responsible if he hasn't been taught the meaning of responsibility?"

The answer, *in the sense in which we are presently employing the word*, is "yes." No one else was responsible for the decision and the action that resulted in the robbery. Of course, it is quite possible that others urged him to perform the robbery. They are responsible for having *urged*, but he is responsible for having *robbed*. Each person is responsible for his particular degree of participation.

Suppose the individual was *compelled* by others (gang members, possibly) who literally forced him to rob. In this case, the responsibility for compulsion must be placed on those who compelled. This does not totally relieve the young man, for he is still responsible, in the sense we have indicated, for the action taken. He would be fully responsible for having made himself a member of such a gang.

Let us assume that he was not a member but was forced by strangers to obey them. His own moral involvement is lessened, still he is responsible to some degree for having performed the act.

But responsibility has several dimensions. The young man forced by strangers to perform a robbery, if he intended to see that the responsibility was correctly placed, would, as soon as he was able, contact the owner of the gas station, letting him know what had occurred, including his own unwilling part in the robbery. This would certainly help to clear him of any intentional responsibility for the action. But we cannot erase the fact that the young man did the job. He might have chosen otherwise. True, his refusal might have brought about his death or some terrible punishment. But he could have made that decision. No one, in the final analysis, made him decide to rob the gas station except himself. We might be willing to pass all the blame onto the persons who forced him. But from the standpoint of precise reasoning, the individual performing the act is the one who performed the act and he was responsible for performing the act, whomever we are to blame afterwards.

In the same sense, a two-year-old infant who topples an expensive vase and destroys it, is responsible for the destruction of the vase. Obviously, the two-year-old would not be acquainted with the abstract reasoning behind the concept of responsibility. Nonetheless, the child performed the act.

Put it in reverse order and you'll see why. Suppose the youngster just happened to be standing near the vase when it toppled from its resting place, and he caught it and prevented it from breaking. Perhaps it fell on him as he lay on the floor under the pedestal supporting the vase. We'd have little difficulty in praising the youngster and claiming that he was responsible for preserving the vase. Responsibility must be equally applied whether credit or blame is involved. If the youngster was responsible for preventing a disaster, he was responsible for causing it, if he did in fact take the action resulting in destruction.

The same would be true with the young man set upon to perform a robbery. If he thwarted the robbery in any particular, we would be happy to give him credit. If he performed it in any particular, we must be willing to afford him the blame for his participation in that particular.

Human beings, as a rule, are so soft-hearted and so hopeful of a happy ending that they tend to want to evade the placing of blame. Responsibility is impartial. It falls upon the actor, whether blame or credit is involved.

Obviously this is a most important abstraction and it should be taught as early and as completely as possible. The point is that, as we have used the word up to now, it falls into a time framework of reference, and hence the individual is *always* responsible for what he does, whether he wishes to be or not, or even when he is ignorant of the moral implications arising from responsibilities.

Because men are equipped with minds which can reason, they can anticipate the results of their actions. When the individual realizes that he really *is* responsible for whatever actions he takes or attempts, then that person begins using his mind to anticipate the results of his actions. In this sense, the word is taken out of its time context. We say that a man is responsible (this is a new sense) when he correctly anticipates the consequences of his action and is

prepared to meet all costs arising from it. We might say that the responsible person is he who is ready, willing, and able to meet all costs arising as a consequence of any decision made or action taken.

In other words, the individual recognizes that he *will be* responsible, automatically, for anything that he might do in the future. The moment he performs an action, his responsibility is automatic. Thus, if he knows that he could not meet all the costs that might arise from a given action, he refrains from taking that action. That is what happens when a person has been correctly trained in an understanding of the full meaning of responsibility.

Many young people have come to us complaining that their parents didn't have enough faith in them to treat them as if they were responsible. It usually develops that their fathers won't let them drive the car (as early in life, or as often, as they wish). They complain, "I'm perfectly willing to assume full responsibility." So then we ask them, "If your father let you take the car, are you ready, willing, and *able* to meet all costs that might arise from your driving?" It often turns out that while the young person is more than *willing* to assume responsibility, he is *unable* to assume financial responsibility.

Then we have to point out that until such time as he becomes financially responsible, he really isn't responsible in fact. He may be *willing*. But is he *able*? In other words, if he had an accident, who would pay? Would Dad have to cover the bill, or would he be *able* to cover the bill himself?

We sometimes have advised the young person to return to his father and explain the situation thusly: "Dad, I am willing to assume full responsibility, but I admit that at the moment, if I should have an accident, I couldn't cover the costs. So while I am willing to work in the future to make up for any losses I might occasion you, I will have to ask you to assume financial responsibility for me right now."

We have known of many fathers who, when confronted with such a frank admission, have gained new respect for their sons or daughters and have agreed to let them use the car a little more frequently, since evidence was offered that the young person really

did grasp what it means to have this kind of financial backing, and appreciated the parents' responsibility. If a cost arising from an action must be passed on to another party, it follows that the party who must make good in place of the one who is truly responsible, has suffered an incursion. If he suffers it knowledgeably, then he was willing to have the risk be run. But if he suffers it inadvertently and against his wishes in the matter, he is the victim of an act of aggression just as surely as if he had been held up and robbed by a bandit.

Much of the time in our formative years is spent in trying to learn what responsibility means. Once its full implications are grasped, the young person has a deeper understanding of the role his parents play and a deeper grasp of his own role in life as a fully responsible adult.

Curiously, although many responsibilities do not involve money, the degree of responsibility can often be measured in terms of the ability of the individual to assume the dollar costs of his actions. We know of few parents who would not be entirely willing to have their children act with full, responsible independence. That is the day toward which they are working. But they know fairly well the extent of the young person's financial competence. They are far more aware of the value of a dollar and how long one must work in order to pay one's own way. Once they have assured themselves that the young person is not only willing, but entirely able to face all these costs, nearly all parents will heave a sigh of relief and assure their offspring that they may do as they please. They know that by this time the young person *is* responsible and can be trusted financially.

Recalling what was said about the word "responsible" in a time context, let us examine the word "obligation" the same way. The term "obligation" relates to some specific performance the individual must fulfill in the future. An obligation does not relate to the past except that a given obligation may have been assumed in the past. The difference between "obligation" and "responsibility" is that the former is *never* automatic and the latter *always* is. You are automatically responsible for your actions. But you have no obligations whatever, until you have voluntarily assumed them.

Of course, from the moment you assume an obligation, the assumption becomes an event of the past. Thus, you are responsible for having assumed an obligation. But you are not responsible for an obligation until *after* you have assumed it.

An obligation is a debt, and requires specific performance by an individual at some time yet to come. The difficulty we experience at the present time is that all sorts of efforts are attempted to make it appear that everyone has any number of "obligations" he has never assumed. We are told that we have an "obligation to support the United Fund," an "obligation to give to charity," an "obligation" to do this or that. No such obligation exists in fact until it has been assumed.

This is not to suggest that it is wise to avoid all obligations. It is to suggest that it is hopelessly wrong to make it appear that an individual decision maker has an obligation without his having made a decision. Such a concept has been viewed as immoral and even as illegal for centuries. Imagine a situation in which an individual has run up a number of bills which he can't pay. So he telephones a friend and says to him "I have these bills, and since you are my friend, you have an obligation to make good on my debts." This would be absurd. The man's friends can't possibly be obligated for his obligations without their volitional consent.

Now, if they assume an obligation, they at once become responsible for the assumption.

A goes to an automobile dealership to buy a car. He finds one that he likes and agrees to pay \$1,000 down-payment and \$100 per month plus interest until the balance is paid. The balance is an obligation, a debt.

A decides to marry a woman. He agrees to be obligated to care for her and to pay her bills.

It would be absurd to suggest that A had to pay for the car or for the expenses of another person unless he voluntarily entered into such agreements.

A woman in a study group considering this point had apparently understood what had been discussed up to this point. But she became increasingly uneasy; finally she raised her hand and the instructor recognized her.

She said, "I'm not certain that I understand what you mean about responsibility and obligation." She had a puzzled look on her face. "I'm a social worker and I believe we have to care for each other."

The instructor nodded, encouraging her to continue.

"Let us suppose that a little four-year-old orphan walked into the classroom through that door. We know he's an orphan because he has a sign printed and hanging around his neck: 'I'M AN ORPHAN—PLEASE ADOPT ME.'" She looked at the instructor appealingly. "You'd have an obligation to adopt him, wouldn't you?"

"Not for a minute," he assured her. "I have no obligation unless or until I assume it."

"But you must," she insisted. "He needs a father."

"Fair enough," he responded. "But I don't need a son."

"That's cruel and heartless." She was slightly irked. "You can't turn him down. He's got to have some older person looking after him. You have an obligation to do it."

"Why me?" he countered. "You like him, you adopt him."

"You're trying to dodge the issue," she accused.

"Not I," he insisted. "He's not my child. I have no obligation to look after him at all. Actually," he added, jokingly, "I don't get along with children at all! It would be a shame to take a young fellow like that and turn him over to me. I'm terrible to children."

Now, he'd do much better with a mother than a father. You take him. I don't want him."

"Oh," she said, "I think you're unfeeling. Why, I've always learned that we have a duty to look after our fellow man. I think it's our Christian duty. And I think you're terrible if your philosophy doesn't demand that kind of conduct from you."

"But why me?" the instructor persisted. "There are several people here in the classroom. Why aren't they all obligated? You keep picking on me."

"Well," she admitted, "you have the biggest obligation because this is your property. The child is on your property looking for help, and it's up to you to take care of him."

"Fiddlesticks!" he responded. "The child's a trespasser. He has no business on my property."

The lady was evidently quite distressed, so the instructor again tried to explain that while he had an opportunity to adopt the child, so did each person in the classroom. The fact that he owned the property didn't make him the guardian of other people. Having an opportunity to proceed, and having an obligation to proceed, were two different things.

But he found it impossible to get his meaning across. The lady was too emotionally disturbed. He happened to think of an event that had occurred a couple of weeks earlier at the newspaper office where he also served as editor. So he broke off the discussion to tell the following story:

A woman came into my office at the newspaper the other day. She was well-dressed, but emotionally as taut and tense as piano wire. Tears were quivering on her lashes and as I looked into her face I made up my mind that I had better not do a thing to disturb her or I might have a case of hysteria on my hands.

I offered her a chair. With solicitude I inquired as to how I might help.

She looked up at me pleadingly and said, "I came in to see you about the murder."

"Murder!" I exclaimed. "What murder?" Colorado Springs is a relatively small city and we don't have many murders.

"Oh, you know what murder," she said, as though I had been trying to trap her into an admission. "It's the one you had on the front page of the paper two days ago."

"We had a murder story on the front page of the paper two days ago?" I was thinking to myself, "This woman is crazy. We haven't had a murder in town for months." But to give her the benefit of the doubt I observed, "Sometimes people come into town having purchased a newspaper in some other city and then they think the news they have read relates to Colorado Springs." I smiled, trying to give her an out. "We travel so rapidly these days that often it's rather hard knowing just where we are."

"Oh, look here," she said with disgust, "I live here. I've subscribed to this paper for years. I'm talking about the murder story in your paper two days ago."

That stopped me cold. She was on the brink of breaking into

tears. I said, "Pardon me, madam. Let's get the file and you show me just which story you're talking about. And forgive me for being so absent-minded."

I got the current file from the rack; we spread the big sheets out on my desk and flipped back the pages. Surely enough, two days before on the front page we had carried an Associated Press story, datelined Oklahoma City, about a murder there. I had incorrectly assumed she had been referring to a local murder. The story had rated three inches of front page because it had been a rather colorful affair.

"Oh, *that* murder," I said. "I had assumed you were talking about something that had happened locally."

Then I looked at her closely. "Do you know something about that murder? I asked. "Did you know or were you related to the victim?"

She was startled. "Why, no," she assured me.

"Well, then," I continued, "Did you know or are you related to the murderer?"

"Certainly not!" She was indignant.

I said, "Look, madam. You come in here and want to talk to me about this murder in Oklahoma City. Yet, apparently, you don't know anything about it. What do you want to talk about?"

She looked at me with great intensity. "I came in to talk to you about it," she said, "because to some degree you and I were responsible for it."

It was my turn to be taken aback. "Now, wait just a minute," I said sternly. "That's a very serious accusation. I can't speak for you, but as for myself I've an airtight alibi. I've been here in town all the time. I had nothing whatever to do with it."

"Oh," she said, "that's what I thought you'd say. But you're wrong. You and I are a part of society. Especially you," she added, "because you're an editor and therefore you are a bigger part of society than I am. And that murder in Oklahoma City happened because of a failure on the part of society. And since you and I are a part of society, you and I must have done something wrong or that murder wouldn't have occurred."

I looked at her agape. "Good Lord! You can't be serious."



"I most certainly am." She was.

"I deny the charge categorically and totally," I said firmly.

"It won't do any good to deny it," she said. "You were partly responsible."

In vain we debated the point. The discussion finally descended to a "No, I'm not," "Yes, you are," kind of exchange and we were getting nowhere.

I broke it off. "Well," I said with finality, "I don't agree at all. However if, for the sake of argument, I were to agree, then it would have to follow that you and I are also involved in that murder that happened over in Hong Kong yesterday."

"Was there one there?" she asked innocently.

"How do I know?" I responded. "But Hong Kong is a big city. There probably was one. Maybe more. Are we responsible for the murders clear over in Hong Kong?"

That question left her hanging. She was puzzled and paused to consider, so I thought I saw an opening and took advantage of it.

"You know how the people are over in Hong Kong," I suggested. "They are Chinese and they don't even look like us. They eat with chopsticks and they don't speak English. They begin their meals with a dessert and top them off with a soup. Are we responsible for their murders?"

Well, there was quite a pause. Finally, she shook her head slightly and admitted, "I don't see quite how we could be."

"I'm with you!" I exclaimed. "I don't see how, either. But if we aren't responsible for the murders in Hong Kong, how about the one that happened up in Bangor, Maine, a week ago?"

She was startled. "Was there one there, too?"

"There could have been," I assured her. "Think big. What if there had been one? Would you and I be responsible?" And, as she remained uncertain, I went on. "You know how the people are up in Maine. They talk with their noses closed and they say 'down east' when they mean 'up north' and they eat steak and apple pie for breakfast. Are we responsible for their murders?"

She smiled and I saw that the tears were drying up. "I don't see how we could be," she admitted.

Then she went on, thoughtfully, "And that is what you meant about Oklahoma City, isn't it?"

I agreed.

“Well,” she said, “I can see that you are right. We can’t be responsible for the murders in Oklahoma City any more than we are for the ones in Maine or China. We’re only responsible for the ones in Colorado.”

And that was the best I could do for her. At least I had been able to reduce the area of guilt she was carrying around with her.

That recitation appeared to have the desired effect.

To recapitulate: “Responsibility” is automatic and relates to the placing of credit or blame upon the actor. “Obligation” is never automatic, and occurs only as a result of a volitional decision. It relates to a moral requirement to perform specifically in the future. An opportunity to assume an obligation may exist; an obligation to be obligated does not exist.

## Chapter 5

# Freedom

In the year 1878, a group of French archeologists was digging at the site of the ancient city of Lagash in Mesopotamia. They came upon three clay cones and an oval-shaped plaque, all inscribed in the ancient Sumerian cuneiform. In due course the inscriptions were copied and translated (by Francois Thureau-Dangin) and scholars for the first time learned the story of tax reform as it apparently occurred about 2400 B.C. in what we now refer to as the Middle East. Each of the cones as well as the plaque contained a version of the story of Urukagina, and how he arrested the growth of bureaucracy and dictatorship in Lagash at that early date.

What is particularly fascinating is the use of the word “freedom,” which appears frequently in the writings of these unknown chroniclers. Samuel Noah Kramer, who tells us the story in modern dress in a book entitled *History Begins at Sumer*, says that he is indebted to the work of Arno Poebel, the leading Sumerologist of our time, for the particular version he offers.

It appears that the people of Lagash had fallen upon evil days. Taxes were ruinous and every transaction was supervised by the government to the extent that freedom had virtually disappeared. Prior to the rise of the Ur-Nanshe dynasty, Lagash had apparently been a flourishing city-state with privately-held land and a great deal of free enterprise. It had had some socialist practices, such as its irrigation system, but, on the whole, private property rather than collectivized property had brought prosperity and progress to the people of Lagash.

Then came Ur-Nanshe, with war and oppression, a rising tax rate, and the confiscation of property. The ancient historians said that the people in Lagash “lost their freedom” under this yoke of taxation. Into this situation, then, came Urukagina. Just how he was able to overthrow the Ur-Nanshe dynasty is not clear. But overthrow it he did, instituting a program of economic reform that restored the concepts of private property. The on-the-scene observer takes note: “There was no tax collector. He, Urukagina, established the freedom” of the citizens in Lagash.

It is instructive that this ancient record, one of the earliest known in which the word “freedom” appears, reveals that freedom is lost when private property is confiscated through high taxes. And freedom is regained when taxes are eliminated and a man is again safe in his dealings from the inroads of government officials.

It is possible that the word “freedom” actually originated in the Middle East. Its origin is at least as ancient as Lagash, probably going back to still earlier and more primitive times.

From studies that have been made of the word, it appears to have been employed to indicate a condition of privilege bestowed upon a particular group of people by their religious or political leaders. It was not viewed as a right to which all men were naturally entitled, but rather as a special condition that related to the “in” crowd. If an individual was an outsider, he was not entitled to freedom. He was viewed with suspicion, and was thought of as a stranger and an enemy until such time as adoption or some other ceremonial procedure brought him into the “in” group. At this time, freedom was given to him.

This same idea persists to date. Many people even now presume that freedom has little more than a political connotation and that holders of power can bestow freedom or withhold it to suit their own convenience and purpose.

But what does “freedom” mean? Possibly the most important concept to be grasped in conjunction with the word is that it invariably applies to inter-human relationships. It does not relate to man’s condition *vis a vis* nature. Suppose an individual lives alone on a productive island. The question of freedom for this individual does not arise. He is obviously free. The word would have no particular significance to him. Suppose this man were struck by

lightning or trapped by a falling tree. He would not think "I have lost my freedom." Rather, he would conclude that he had been injured, possibly immobilized, by an act of nature.

However, if this same man were struck by another man, or if he found himself imprisoned because of force exerted against him by another, then he would rightfully conclude that his freedom had been curtailed.

Thus, freedom relates to a condition of human nonintervention *when such intervention is possible*, and not to a state of natural freedom where human intervention is impossible.

There is also an inference to be drawn from this observation. The loss of freedom does not occur at the hands of nature. Nor does it *necessarily* occur through accidental or inadvertent incursions men may make against men. You are jostled in a crowd. Someone takes a parking place you had hoped to get for yourself. You lose out at an auction because someone bids a higher price. You enter into an agreement which proves to be less advantageous than you had expected. These are *competitive* or *accidental* events and there is no conclusive evidence that the loss you may have experienced was motivated by anyone's desire to harm you.

In a competitive situation, although the will of an individual may be thwarted to some degree, we view the intervention *as though it were an intervention on the part of nature*, and not a loss of freedom. Freedom is lost through the positive action taken by one or more human beings acting against another of their kind, when the purpose of the action is the restraint or punishment of the individual infringed upon.

This view of freedom is consonant with its earliest uses. However, there is more to it than this. For, remember, in earliest times freedom was presumed to be a condition of political privilege made possible by a grant of freedom from the holder of power. Scholars who have studied this concept for many years are beginning to suspect that freedom is not a politically-provided privilege, but a natural characteristic with which all humans are endowed.

This has led to the supposition that freedom is a natural right and not a political privilege. This is the view we adopted at Rampart College. We believe it is the correct one and that freedom can be most usefully and accurately defined this way.

This introduces another problem. It creates the impression that freedom should be defined as nothing more than the absence of imposed restraint. It would be obvious that an absence of imposed restraint would be implicit in a condition of freedom. If one man is controlled by a second man, then he certainly is not free. This definition makes it appear that freedom is a negative condition that is dependent for its existence upon an avoidance of restraint or an escape from it. By implication, an agency or person willing and capable of imposing restraint would have to exist somewhere for a person to be able to avoid such agency or person and thus be free.

This agrees with our prior specification that freedom applies to an inter-human relationship. It also agrees with the island illustration. But it begs the question as to whether freedom would be a useful or meaningful term in the event a multitude of human beings lived in a given area and there was neither an agency nor a person willing or able to impose restraints.

In short, we must ask this: If coercive governments ceased to exist, would freedom automatically follow? Or does freedom have some peculiar and positive characteristics of its own so that the removal of a coercive government might be viewed as only a first step in the attainment of human liberty?

This is a question of paramount importance.

Ever since the days of Urukagina, and before, men have lived in conditions of *relative* freedom and *relative* imposed restraint. People have been more or less free; never, as a species, totally free.

When men lived in primitive times, it is easy to imagine their primary concern. It would not have been to attain freedom. Their primary concern would have centered on organization. In order for them to survive and to improve their conditions, they would have busied themselves with learning how to work together in some organization for the betterment of conditions.

With their attention upon organization, human progress would have followed organizational lines. Organizations of various kinds were devised, including the development of coercive organizations.

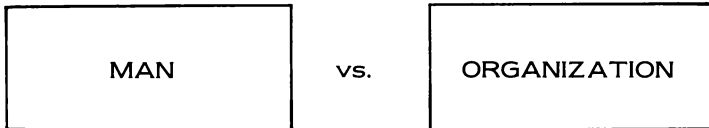
When organization has evolved to a high degree and has become coercive, then people begin to concern themselves about freedom. It is when taxes are high, restraints are numerous, and the will of man is thwarted and bent to comply with the wishes of those

organized for power that he begins to worry about freedom. And as oppression mounts, concern over freedom grows apace.

Finally, when men find themselves virtually enslaved to political or economic controls, they bestir themselves, either by fleeing the territory or by organizing a revolution, toppling the government, and starting afresh.

This has very nearly been the constantly-repeating story of man. When conditions are primitive and survival is difficult, men concern themselves with organizational efforts and not with freedom. But when they have organized and the organization finally becomes coercive, they stop worrying about organization and long for the freedom they have lost.

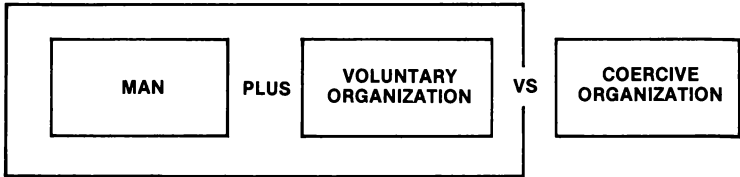
This has led to the supposition that individual man and human organization are opposed. It has led to the equating of freedom with a state of anarchy, and the equating of organization with a state of tyranny. This idea could be illustrated :



Actually, this is an oversimplification. The fulfillment of man does not necessarily appear because he refrains from organizing. On the contrary, men organize and often find their highest fulfillment within some organized effort. We should not see the relationship as *man versus organization*. Rather, we might consider it as *man plus voluntary organizations versus coercive organizations*.

Since the purpose here is to try to explore ways and means of maximizing human well-being, it appears that what we really seek is a way of organizing that will avoid the dangers and the pitfalls of coercion, while at the same time magnifying human opportunities and attainments.

In order to look at the meaning of *freedom* as closely as possible, it might be helpful for us to examine it in terms of its abstract opposite. This would seem to be *slavery*. Slavery and freedom are



mutually exclusive terms. If a man is free, it follows that he is not enslaved. If a man is a slave, it follows that he is not free. Let us consider man and his mental, physical, and moral attributes and then see how these attributes could be contrasted under both freedom and slavery.

| FREEDOM                   |                     | SLAVERY                               |
|---------------------------|---------------------|---------------------------------------|
| individual choice         | — <i>mental</i> —   | external choices                      |
| self-motivated actions    | — <i>physical</i> — | external control imposed over actions |
| individual responsibility | — <i>moral</i> —    | shifted responsibility                |

The above chart helps us to compare. If a man is free, he is certainly free to choose. If we wish to be precise, the freedom to make a mental decision can never be removed from an individual except by a physical impairment of his mind. So long as a man lives, he is able to make up his own mind as to what he wants to do. This would even be true of a slave.

This is one reason, undoubtedly, why slavery is such an unsatisfactory condition. It is hopelessly unrealistic. The physical fact



is that each person does control his own thinking processes. But in a state of slavery the slave *acts as though* his mind has been made up for him by the slave master. Since this is not possible, the relationship between slave and slave master is impractical. The slave is merely playing a role. He is acting as though he were a slave. And the master, too, is only pretending. He acts as though he could think for his slave when, in fact, he cannot.

Of course, it is possible for a person to be conditioned or, through fear, to willingly play a particular role. But it is quite likely that even the most obedient and docile slave thinks his own thoughts and well knows that he is only playing a role, like any actor, and is not naturally a slave to anyone.

So we say that a man who is free, is free to choose. And, in contrast, we say that a man who is a slave will have his choices made for him.

At the physical level the real nature of slavery appears. Obviously, the man who is free is not only free to choose, but is free to act upon his choices. He has freedom of action.

Conversely, if a man is a slave, he may not act as he pleases. Rather, he must act as the slave master wishes him to act. It is far easier to compel a particular type of physical action (or to prevent it) than to compel a particular type of mental choice. Typically, the slave experiences external controls over his actions. He does what he is told. Ideally, he would do nothing he was not told and everything he was ordered to perform.

Many people stop at this point. They contend that freedom is simply a condition in which each person is free to choose and free to act upon his choices, slavery being the opposite.

But that brings us to the perennial question as to the desirability of freedom and probably indicates rather clearly why so many people are afraid of it. For if a free man may do exactly as he pleases, what is to prevent the free man from attacking another man and making that other man his slave? Obviously, the attacker is choosing and acting as he pleases.

If we go no further than the mental and physical dimensions of freedom, we would have to say that there is no difference between freedom and license. But, as has already been indicated, freedom

invariably relates to an inter-human situation. And because freedom can only be understood within such a context, complete freedom does not mean the same as license. Thus, freedom does not mean that the individual can do precisely what he pleases. Obviously, a condition in which two men find themselves wherein neither imposes upon the other, is not the same as a similar condition in which one man does impose on the other. If the one procedure exemplifies freedom, the other must exemplify non-freedom.

Freedom, as seen in this light, means that each individual can do as he pleases with his own person and his own property. But the moment he imposes upon the person or property of another, he is acting like a slave master and not like a free man. Although the slave master may be free, it is certain that his slave is not. And because freedom relates to an interpersonal situation, for it to exist *all parties* to the situation must remain free. Thus, freedom means responsible behavior; the willingness and ability of the individual to meet all costs arising as a result of actions taken.

Typically, when a situation of slavery ensues, the responsibility of the slave over himself is presumed to vanish. The slave master assumes full responsibility for his slave. The slave is considered to be a piece of property belonging to the slave master. And, like any other property, the slave master is responsible for what he owns.

Look at it this way. When a condition of slavery pertains, it is presumed that one (or more) persons will act to control another (or more). The relationship is not one of human equality, it is one in which one man is viewed as superior to the other. In a condition of freedom, each man is viewed as equal to every other man. No one is superior or inferior.

The real point relates to control. Many people seem to feel that freedom is a condition in which human energy will be uncontrolled, that anyone can do precisely as he pleases with anyone else. But this is not true. Human energy will always be controlled. The question is: Who will control it? If we uphold a situation in which it is presumed that one man or a group of men may rightfully control the energies of other men, we have a condition of slavery. If, however, we have a situation of freedom, it would have to mean

that each person controls himself. Slavery, then, is imposed external control. Freedom is self-control, no more and no less.

Our problem today doesn't exist because we have so many people who are free. Our problem exists because we have so many people who wish to be slave masters over other people. Remember, each slave master (whether legally or formally recognized) impairs freedom, he does not maintain it.

Freedom means self-control as opposed to external control. The free man will not willingly be controlled by another. Equally, he will not seek to control another.

At this juncture we have one of the primary reasons why people neither understand freedom nor are particularly concerned about it, until they have lost a great deal of it. Instead of contrasting freedom with slavery, which are opposites in a certain sense, it would help to contrast freedom with tyranny. All three words, freedom, slavery and tyranny, are abstractions. But the slave condition, while being opposite to a condition of freedom is lacking in one important particular.

The slave is not the enemy of freedom. Indeed, the slave is usually the individual who is most eager to become free. He is the victim of lost freedom.

It is the tyrant who is the enemy of freedom. And the human tendency is for each individual to avoid slavery even if he must become a tyrant to do so. So, as it happens and as history repeatedly reminds us, well intentioned persons, seeking only to be free, become tyrants if they can gain power over others whom they fear. In the process they become the very enemy of a free society against whom they continually inveigh.

This may create problems in your mind. You may be saying, "This is all very well, but if someone wants to control me, I had better be ready to control him first." It is quite true that freedom poses many problems, particularly those of a practical nature involved in finding ways and means to obtain freedom and to remain free. But there can be no question as to what the word means, nor how it ought to be applied.

Questions of application must not be permitted to impose upon questions of definition or principle. Once we are certain of the

definition and certain of the principles involved, then we must seek ways and means of finding and securing our freedom. But it will not do us any good to approach the subject from the other direction. That would be to fall into the trap of the ancients, who presumed that freedom was a privilege to be bestowed by those who had power.

Freedom is not manufactured by political entities and bestowed or withheld as they see fit. Rather, freedom is the natural, inherent right of each man, whether there is a political entity or not.

## **Chapter 6**

# **Property and Ownership**

We have thus far examined something of the nature of man. We have discovered that human beings are rational creatures (as opposed to instinctive organisms), and that all men act in favor of their own individual evaluation of what might serve to maximize their own personal well-being.

Now it is time to examine the physical nature of man. The first thing that impresses the observer is the fact that man has a physical body that must be sustained by a long series of meaningful actions. If man does not manage to obtain food, shelter, and comforts of various kinds, he will die. The existence of the species is entirely dependent upon man's physical environment. Nor is it likely that a person can take one action or a few actions and by this process obtain the necessities for his entire life. On the contrary, man usually employs his energies through many years of his life in purposeful action so that his life can be sustained.

The next thing that seems overwhelmingly evident is that in the processes of survival, man plays two contradictory and opposed roles. He is at once both a consumer and a producer. That man is a consumer is certainly apparent. Life itself demands consumption, not only by men but by every living organism. If consumption

ceases totally, life departs. Acting man is consuming man. Man consumes in order to live.

It is a matter of interest that consumption is always a most intimate and individualistic procedure. The only satisfaction or “good” that can accrue to anyone is personal and individualistic. It makes little difference to me that you have food. The only food that will do me any good is what I have for myself. It makes little difference to me that you have a home to live in, clothing, an automobile, or other comforts and conveniences. The only comfort or convenience that makes sense to me is that comfort and convenience over which I can exercise control for my own use.

Each human being begins the processes of consumption from birth and will continue to consume until he dies. This is the nature of man and the nature of life. Consumption cannot be avoided. It has to be accommodated.

When we talk of production, however, we are talking about a method of behavior which is peculiarly human. While it is true that every living organism consumes, not every living organism produces. Most living organisms, from the tiny amoeba to giant mammals such as whales, lions, bears, and elephants, consume through the process of living in an environment to which they are naturally fitted. They live what could be called a hunting and foraging existence. Of course it can be argued that hunting and foraging is a kind of production. However, we are going to rule this type of procedure as different from true production.

True production requires conversion. The things that nature provides which could be gathered and consumed directly, are now put together in different ways to create things that nature does not, in itself, supply.

To be entirely accurate, there are some living organisms other than man that produce in very limited ways. Birds build nests. Nests are not provided by nature. Beavers build dams. Trap-door spiders build trap doors to their tiny underground hideaways. These are productive phenomena, instinctively performed by certain living species.

But man, being a rational rather than an instinctive creature, does not produce instinctively. He exercises his magnificent mental powers to visualize all kinds of devices, tools, and procedures by

means of which a vast array of goods and services can be provided for his own kind.

The distinctive characteristic of human production is that it is *not* individualistic, but cooperative in nature. Nor is this a matter of design. It is inevitable. The reasons are clear. Humankind does not survive well in a hunting, foraging economy. In those periods of time when primitive men lived a hand-to-mouth existence, virtually their entire lives were spent in finding enough food. They lived on the brink of starvation, racked by disease and plagued by discomfort. They worked hard, faced privation and danger, and died young.

Further, since consumption begins with birth and even the tasks of hunting and foraging cannot be undertaken from birth, it follows that those who are hunting and foraging (and later on, producing) must always come up with a surplus. It is the only way to take care of the young, the elderly, and the sick or temporarily disabled, who cannot produce during non-productive periods.

The necessity of creating a surplus made it inevitable that a division of labor would occur. The most skillful person, if he learned to concentrate in the area of his specialty, could produce more than if he attempted to be a "jack of all trades." Greater surpluses of all kinds ensue when everyone specializes, rather than when each person tries to produce each thing he wants or needs. And this was learned even in the days when men were hunting and foraging. Even then, men developed the idea of exchanging their surpluses for the surpluses of others.

Getting back to the idea of production, what we detect is this:

- (1) Production is more than hunting and foraging, for it contains the element of conversion of natural resources to human wants and needs.
- (2) Production tends to create surpluses because of the nature of man.
- (3) Division of labor helps to produce surpluses.
- (4) Surpluses make possible the exchange of goods and services. The more surpluses we have, the larger our market operations can be and the higher the standard of living that becomes possible.

Production itself is a cooperative effort. While it is possible to imagine Og, the primitive cave man, sitting in front of his cave and chipping stone spear-points without any help from anyone, the general rule for production is that it requires the help he can get from others of his own kind. (Even Og can't make many spear-points if he has to interrupt his production in order to procure food for himself.) This help might be direct, in the form of labor, or it might be indirect, in the use of tools made by the labor of others.

For instance, a writer often thinks of himself as being entirely individualistic and requiring no help from anyone. Actually, a writer is dependent upon thousands of other people. He must have paper to write on. Few writers would know how to go to nature to begin the processes of making paper. A writer also needs pen and ink, or pencils, a typewriter or a word processor. Additionally, he requires a desk, a chair, and good lighting. Preferably, he should have a shelter of some kind to protect him from the elements. And he must have others prepare his meals and his sleeping place and provide hundreds of other things if he is to find any time for writing.

Furthermore, what of a dictionary and a thesaurus? And what of the necessity for an alphabet and a written language so that others may read what he writes?

What of the presses that duplicate what he writes into many copies? And how about the transportation agencies that distribute what he writes? The list is almost endless. No writer works by himself. He is surrounded by a host of workers, mostly invisible to him, who make it possible for him to specialize in his own form of labor and to exchange what he produces in surplus for the surpluses produced by others.

If you can visualize the problems that confront a writer and see how others must come forward to help him cooperatively, then you can also visualize how this same type of problem must be met by anyone and everyone engaged in production in our modern world. None of us works alone. We work with others so that, in the end, we can consume by ourselves.

Thus, human activity takes on a sort of ambivalence. As consumers, we must operate in a way that excludes the whole



world. Consumption must mean that I can hold the rest of the world at arm's length while I consume, or consumption will not help me. But when it comes to production, I must invite the rest of the world to work with me. And the more of them who are willing to come at my bidding, the higher my productivity can be, and, consequently, the higher my standard of ultimate consumption.

The attitudes we develop as consumers tend to create patterns of behavior that are individualistic. The attitudes we develop as producers tend to create patterns of behavior that are collectivistic and cooperative.

In the physical world, men are concerned with both consumption and production. This means that in the physical world man is constantly concerned with his relationships not only with other men, but with those physical properties of the world on which he depends. In short, men are concerned with property, whether they view property from the eyes of the consumer or the eyes of the producer.

Unfortunately, very little has been written about the relationship of man to property. In earlier days, whenever writers sought to analyze the nature or the meaning of property, they tended to oversimplify. They construed *property*, the item to be owned, as *ownership*, the act of owning or the relationship called owning. It is clear that a property (the item to be owned) is not the same thing as the act of owning or the relationship established by owning. In order to come to grips with this problem, we must first understand that property is one thing and ownership is another.

When Karl Marx was writing his ideas back in the mid-nineteenth century, he frequently referred to the socialist movement as being one which intended to do away with private property. Many people have understandably interpreted this to mean that Marx proposed to destroy property. He wrote with such vigor, not to say venom, that it sometimes sounds as though he proposed to destroy all the private property in the world. Marx was not talking about property, but about the relationship between man and the property owned privately by particular men. Marx believed that if private *ownership* could be destroyed, there would be more *property* available for more people.

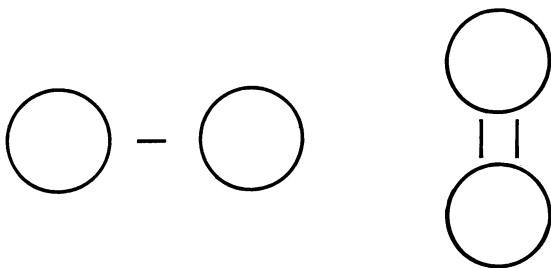
Let us define “property” as anything subject to ownership.

Let us define “ownership” as the act of owning a property—the relationship between a man (owner) and something he owns.

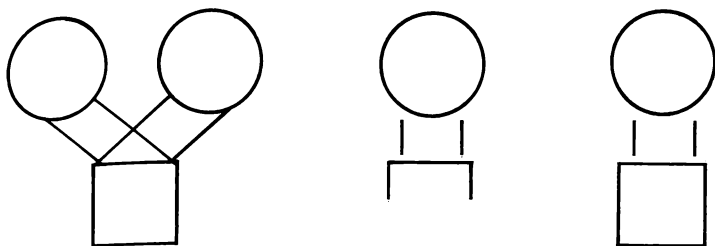
It will be useful if we have some symbols we can use in order to illustrate property and ownership. These symbols will serve to distinguish between a person, or owner, and a property, as well as to illustrate the relationship between the two.



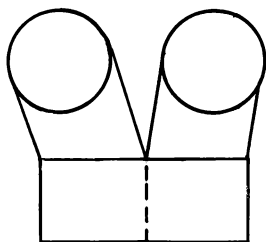
The circle will designate a person; an owner. The square or rectangle will designate a property, any kind at all. When no lines appear the person is recognized as an *owner* who owns himself. The property is unowned.



Two circles drawn on the same level with a short dash between will designate a relationship between two persons who are both owners. We use this symbol in describing a condition of freedom. We designate a condition of slavery by drawing one circle above the other and including the vertical lines of ownership. In the first illustration, both persons are seen as free and equal in so far as their basic natures are concerned. In the second, one person (*owner*) presumes to own a second *owner*. This is contrary to nature and will result in conflict sooner or later.



The symbol of two vertical lines descending from a circle and encompassing a rectangle indicates a condition of ownership. A circle with lines extended downward embracing a portion of a rectangle, indicates a kind of incomplete ownership, for the owner in such a case does not know the extent of the property he owns. This condition will lead to conflict. If two circles are drawn and lines descend to a single rectangle, we have a conflict in ownership in which more than one person claims to be the owner. However, it is possible for more than one person to cooperate in ownership of a given property. This is symbolized as follows:



Each of the owners knows that he does not own the entire property but shares his ownership with another (partnership). This can be extended to include many partners or thousands of stockholders. Partnerships and stock ownership *may* also create conflict when questions about management of the total property arise.

Vertical lines from person to property indicate the lines of *authority*. Later on, when we discuss *power*, we will show how the lines of authority and the lines symbolizing power differ.

In dealing with the property question, we will constantly run into legalities which today affect men's relationships both with property and with one another. The approach taken here is based not on the legal niceties of the matter, but on reality—the way things really are. Where the law runs counter to reality, it will appear that we are talking about the way *things ought* to be, rather than the way they are. Philosophically speaking, a law that runs counter to reality is no more than a distortion of fact. The fact remains.

Now that we have some of the tools at hand, we can begin to examine the property area. It is one of the most important areas of understanding we must have. Man is entirely dependent upon property. He is dependent upon it because he must control it to his own advantage, or fail to survive. So one of the biggest questions of our time relates to property ownership. Who is to own how much of what?

As a matter of fact, the major arena of ideological conflict centers on this matter of property and property ownership. Many people suppose that capitalism is being challenged by the ideas offered by socialists and communists. This is true in only one sense. Capitalism is here to stay. That question has been settled. What has not been decided is: Who is to own the capital? Who is to own the tools of production? The major distinction between socialism and non-socialism relates to the question of *ownership*.

Socialist countries such as the Soviet Union are fully committed to capitalism. But the kind of capitalism they want is a kind we could call “publicly owned” capitalism. Russia, since the overthrow of the czars back in 1917, has gone capitalist in a big way. But its capital is owned by the state, rather than by private parties. In theory, the United States is supposed to favor private capitalism—the ownership of the tools of production and distribution by private persons.

Virtually every informed person in the world has now accepted the idea that man can improve his well-being by getting more and better tools of production. And that is the basis of capitalism. But the argument continues as to whether or not we can better maximize human well-being through processes of public ownership or processes of private ownership.

What is involved is the decision-making function. Are decisions affecting property to be made by the state, or are they to be made by private owners? If human well-being can be advanced by state control and state decision-making concerning property, then the socialists are correct and they ought to win the argument. If, on the contrary, human well-being can be advanced by private control and private decision making concerning property, then those who oppose socialism are correct, and they ought to win the argument.

Now, if ideas relating to private ownership and decision-making are correct, then they must be applied universally and in all cases. If it is really true that private control of property is desirable, and leads to the best possible situation, then we must accept the fact that private ownership of property should be employed throughout. It is not particularly helpful to argue that the corner grocery should be privately owned, but that schools, highways, and hospitals ought to be publicly owned. To take this position is to say, in effect, that when economic problems become large and complex, affecting many people, we must have state control; that only when we have small and closely integrated economic problems can they be managed properly by private persons.

If private ownership and decision-making is correct, it should work *better* than state ownership and decision-making *at all levels*. If, on the contrary, the only way we can manage difficult economic problems is to turn them over to the State, it would follow that State control of property is superior to private control. That being the case, we should abandon support of the private control even of the corner grocery.

If state methods are superior, they should be universally applied. If private methods are superior, the same rule should obtain.

To provide economic goods or services such as schools, highways, and hospitals in the private sector, any number of problems may have to be solved. But if our principles relating to private ownership are correct, we need not abandon these principles; we need only apply them correctly, whatever the problem.

We have discussed the difference between property and ownership. There is also a difference between ownership and possession. "Possession" refers to a situation in which a particular

property is under the immediate control of a person, but moral concepts are lacking. “Ownership” refers to a relationship between an *owner* and a property, whether or not the property is in his possession. Ownership can exist only where moral ideas have generally been accepted.

It is quite likely that in earliest times ownership, as a concept, did not exist. Property either was possessed or was available for possession. Ownership is a much more complex, sophisticated concept and probably did not develop until long after the idea of possession emerged.

Possession demands the immediate presence of (and hence the immediate control by) a person over a property. Possession is usually based on force. Og, the cave man, produced a spear. He found it useful and superior to other spears and other weapons. He wanted to use that spear perpetually and not have it taken from him by others of his tribe. His only recourse was to keep it near at hand so he could physically control it whenever the necessity arose.

Ideas of ownership must have arisen when the amount of property available for possession got to be so large that physical control of all property possessed became impractical or impossible. Then it became necessary for the idea of ownership to emerge. *The person who can physically abandon a property and yet maintain the exclusive control over it, even during his absence, is an owner.*

So long as ideas respecting ownership did not appear, there was no corresponding view of morality—no “right” or “wrong” behavior. A man could possess any property he was strong enough to control. His control could always be wrested from him by someone stronger or more clever than he. Thus, possession was based on force, or guile. No conduct was deemed unacceptable by virtue of its character. *Force* and not *right* was the arbiter.

Ownership ideas are based on a moral concept. It is obvious that an absent owner is in no position to exert force to prevent someone from taking property away from him. It should be borne in mind that concepts of morality are *never* dependent on force. They exist only in the absence of force.

Thus, moral behavior exists in an area where freedom of choice is present. The moral man is not one who is prevented by force

from doing a wrongful thing. If he is prevented by force, we do not know whether he is moral or not. We can only determine the degree of his moral understanding when he is free to choose between at least two types of behavior.

Further, ability, strength, intelligence, experience, and so on have little to do with morality. The owner of a given item of property might be crippled, an infant, or a person with no means of protecting himself or what is his. But if he is an *owner* of a property it is an immoral act to take it from him by guile or force.

This introduces an unpleasant fact. The relationship we call ownership is always vulnerable to trespass. There is nothing in the world that can absolutely guarantee that a man's ownership of a given property will be respected. Thus, ownership is dependent on the degree of moral understanding available in a given community. Where force is introduced, a degree of trespass is bound to occur.

Here is another unpleasant fact. Ownership is a *concept*, an *idea*. In reality it is not possible for me to look at a property, and by observation determine who the owner is. The property may carry the name of the owner or it may not. There may be written records which indicate the identity of the owner. But the name could be of a prior owner, for no owner identification is presumed to last indefinitely. Also, paper records can be faulty, just plain false, or obsolete. Nor is it possible for me to look at an *owner*, another person, and by observation of him discover what he owns. The moral concept of ownership rests upon *belief*. I *believe* I own something because I paid for it. Or because it was given to me. Or because I found it, and could find no other owner.

The only *knowledge* of what is owned is my own knowledge respecting what I own. I remain in ignorance respecting the properties owned by others.

Civilization is built on this belief. It is called *trust*. Without this trust there is no civilization, no trade, no employment and we are back in pre-history.

Imagine a society where the moral belief of private ownership is generally accepted. A thief appears and steals a property from its owner. Because it would generally be recognized that the thief has performed a wrongful and immoral act, it is customary for us to

suppose that the owner *remains* the owner and the thief has merely reintroduced the primitive notion of *possession*.

However, thanks to the cultural acceptance of *ownership*, the thief is in a splendid position to declare himself the owner. Third-party observation of the thief will not reveal whether the property in question is owned by the thief or by someone else. The only two persons with knowledge of the matter are the former *owner* (whom no one other than himself knew for certain as the owner) and the thief, who knows full well that he has committed an act of theft. But no third party is compelled to believe the assertions of either of them.

The thief, if he is clever and has handled his trespass adroitly (no witnesses), has as good a claim to the property as the party he has wronged. Besides, how does a third party know but what the wronged party was the thief who was “rightfully” thwarted by the party now holding the property? Or, possibly the party who believes himself to be wronged may have been a thief at the time he originally obtained the property. Assuredly there are abundant paraphernalia with which we buttress our claims to ownership, which may or may not prove helpful.

These uncertainties are a constant burr under the saddle of civilized life. To “protect” the owner a complicated, even grotesque legal system has arisen seeking to restore the property to its “rightful” owner.

The assumption within the legal system is that ownership was *not* interrupted by the thief, and the original owner still owns. This assumption justifies all government and mocks anarchists or libertarians seeking to be free.

We cannot have it both ways. If the ownership *was* interrupted by the thief, then a crime was committed against the owner. That means that the thief *has become the new owner*, even though that ownership was wrongfully attained.

If the ownership of the original owner was *not* interrupted by the thief, then he merely borrowed, transported or otherwise deceived the owner, but he stole nothing. In consequence, an act of theft should be viewed as a nuisance rather than a wrong in itself. It would be little more than a pesky prank rather than a crime. In



short, if the original owner is still the owner, no steps need be taken to return a property to the owner since the property is still his, and nothing of consequence has really happened.

Unhappily, the entire Western World is dominated by governments which have it *both* ways. They contend that the original owner still owns, but at the same time, his ownership must be restored to him.

In the ensuing chapter we will show that there are three minimal conditions which make ownership possible. When ownership does exist (as a generally accepted belief) it becomes a *total* condition. Remove any of the vital factors and ownership no longer exists.

Meanwhile, examine for a moment the number of innocent men, women and children who have been caught in some legal net, wherein the government was seeking to restore property ownership to a party who may or may not have been victimized.

Imagine an item of personal property which is valuable, unique and known to its real owner by certain distinguishing features implicit in the property itself. It could be an item of jewelry, a horse, a picture, a specific item of clothing, an autographed book, anything at all.

The thief succeeds by guile or force and makes off with the property. He sells it in a far-away city after keeping it a few years. He provides a bill of sale or any other "proof" of ownership demanded by the buyer whom I will now identify as Mr. A. Now, Mr. A keeps the property for awhile and sells it to Mr. B. Through the years the property is repeatedly sold and ends in the hands of Mr. E. By happenstance, Mr. E meets the original owner of the property who recognizes an item he once owned, thanks to those unique markings.

The first owner sues Mr. E, accusing him of being a thief. The "law" will confiscate the property during trial to use as evidence. Let us suppose that the original owner wins and the property is restored to him.

Mr. E has done nothing wrong. He has spent a small fortune defending himself. His reputation is gone. He brings legal action against Mr. D, who sold him the item. Let us suppose that he wins a large cash settlement.

But Mr. D is guiltless. So he brings suit against Mr. C and wins. Mr. C brings suit against Mr. B and wins. Mr. B brings suit against Mr. A and wins. But when Mr. A tries to sue the thief, the man cannot be found.

We now have Messrs. A, B, C, D and E with damaged reputations. Mr. A has no recourse and may be completely ruined. But none of these persons did anything wrong. Nor were any of them careless. Each did all he could to obtain the necessary paperwork showing that he was purchasing from a true owner.

But no legal system guarantees who will win. At any time during these legal contests a given court might decide the other way. But that means that the last man (B, C, D or E) rather than A is compelled to take the consequences. So any of the five could be ruined totally and their innocence of wrong-doing has been no protection whatever.

The system of law provides what can only be called a “fool’s paradise.” Actually it is a lawyers’ bonanza, a cornucopia for the courts and a sham and a delusion to the rest of us who are wronged both by thieves and then by the taxes paid to cover the costs of the risks we incur from the device we have supposedly approved to provide remedy.

It is out of this double-standard system that American Indians hope to regain land which, without question, was often wrongfully taken from their ancestors. But the persons now living and holding the land may have done no wrong whatever. Yet they may be compelled to pay for the sins of those who are now beyond man-made jurisdictions.

As a matter of observation it is clear that those in government know full well that when an item of value is taken against the will of the owner, either by force, guile, or the threat to use either, *ownership* is transferred. This is why all governments claim to *own* the money they wrest from their citizens through taxation. Factually, they do. The essential trilogy of conditions has been broken and the original owner has been victimized. You and I have only to recognize the objectivity of this situation and a new and altogether different approach can be made to the question of theft.

The government has now solemnized the double standard. If a

private thief takes your money, the money is still yours and the government will try to get it back no matter how many innocent persons are made to suffer. But if the government takes your money by precisely the same methods, politicians become the owners and you have no recourse whatever.

Whatever the moral implications may be in economics this can only be classified as waste. A legal system which penalizes innocent persons, sometimes ruining them, is built upon a thirst for intervention.

From the standpoint of reality, when a moral system has been generally accepted, things get worse and not better when exceptions are made and a double standard substituted. Our legal system, instead of accepting reality, tries to convert a subjective *belief* into an *objective* fact. It cannot be done successfully in this case. The result is that each succeeding civilization spends itself bankrupt trying to straighten out the past and the errors made in the past. This is the syndrome at the base of every war. The law tries to correct the evils which have admittedly occurred. In our thirst to "get even" we are trying to straighten out the past rather than admitting that an evil occurred. Until we turn around and face the future, devoting our resources to tomorrow rather than to yesterday, these disasters will continue to plague any system devised.

It may have appeared that we are seeking to belittle or to discount the importance of ownership by insisting that it is a "belief" and hence, must fall into the category of the subjective. But the marketplace itself cannot exist without trust (another subjective concept) and civilization together with ownership on which it rests will vanish if that belief and the trust thus engendered are abandoned.

If this strikes you as an oversimplification, think again. In virtually all countries and among all peoples, the only kind of conduct that is universally frowned upon is the violation of the property rights of an owner. Ideas may vary as to what is property and what constitutes ownership. But everything we think of as a "crime" (a legal word) is neither more nor less than a violation of the concept of ownership.

Think of the words we use in defining various kinds of crime. They are: murder, rape, robbery, theft, embezzlement, fraud, arson, vandalism, extortion, mugging, and breaking and entering. Every one of these words relates to a particular type of behavior which has, at its base, force, the threat of force, guile, or mischief of some kind aimed at the relation between a person and something he owns.

Governments have added to this list certain “legal” crimes, such as failing to pay taxes and failing to obey a policeman. But these are crimes only in a legal sense. It might even be moral to fail to pay taxes or fail to obey a policeman if he were ordering a person to commit a breach of morality.

The addition of legal crimes to the basic list of moral crimes may have served to confuse the issue. There is a tendency for all men to suppose that a legal command is, *ipso facto*, a moral command. It might not be, although in the main it probably would be. *Factually, and relating to reality rather than to legality, crime is nothing more than a trespass against the rights of a property owner.*

We have already defined property as anything subject to ownership. By implication, this means that property can exist both in a state of ownership and in a state of non-ownership. Additionally, property can exist in a state of conflict, that is, where there are conflicting claims as to the fact or the degree of ownership. So property exists *unowned*, *owned*, and *where there is conflict over the relationship of ownership*.

*Unowned property* can exist in two ways: property that has never been owned (virgin), and property that was once owned and has now been disowned. We usually think of unowned property as existing in wilderness areas. Prior to the advent of man in any particular location on earth, we have said the property in those areas is virgin. That is to say, a condition of ownership has not yet arisen. The property is there. That is, items which are subject to ownership exist in a specific location. But no man has yet appeared who has established his ownership. We will discuss later the steps to be taken whereby virgin territory can become owned. Then there is property that has been owned, but for some reason is no longer owned. This factor is often overlooked, yet it is the real reason we

have waste baskets and garbage disposal units. We usually view property as so desirable that we fail to see that property not only moves into ownership but out of ownership at the will of the owner.

For example, the lady of the house goes to the store and buys a can of soup. She carries it home. Next she attacks the can with a sharp instrument, destroying its symmetry. She pours the soup into a sauce pan. What does she do with the can? She discards it. She puts it into a receptacle provided for that purpose. She doesn't want to own the can anymore. Why does she throw the can away? Doesn't she realize that she actually paid more for the can than for the soup? She is throwing away the item of largest cost. Why?

When she bought the can of soup, she didn't really want the can, she wanted the soup. Was she forced to buy the can? Not if she wanted to make the soup herself, which she could easily do if she had the time and the ingredients. She bought the can as an item of convenience. It is far more comfortable to bring the soup home in a can than in her bare hand. Or to make it herself. Also, so long as the soup stays in the can she can keep it intact on a shelf. She doesn't have to get rid of the can *now*. She can retain the container, choosing her own time for its disposal. But to get any good out of the soup she must destroy the can, at least in part. Both soup and can are to be consumed. Actually, she bought both because she plans to consume both. She consumes the can externally and has most of it left over. She consumes the soup internally and has only nourishment to show for it. So she throws away the can. Ultimately, the can is transported to a location where it will be completely discarded. It is, at this point, disowned.

All of us are familiar with garbage dumps. Most of us are familiar with the fact that these refuse heaps are the habitat of certain men, referred to as scavengers (junk collectors). They prowl these refuse heaps seeking discarded property. When they find something they wish to own, they pounce on it and take it away with them. Rarely is a scavenger challenged as to his right to obtain property this way. The former owner, who discarded the property, has severed his relationship of ownership.

He has no concern over who is to be the new owner or whether or not there is to be a new owner. He symbolizes his willingness for a

new owner to appear by the act of discarding totally that which he once paid good money to obtain.

*Virgin property and discarded property are unowned.*

*Owned property* is nothing more than a property that has come into a relationship with an owner. What kind of property? Any kind at all. *Anything that is subject to ownership is property.* It could be land or the appurtenances or improvements to the land. It could be items of durable or consumer goods, such as automobiles, clothing, furniture, and gasoline.

Most property is thought of as having the familiar three dimensions, and as being susceptible to touch and sight. But a property could be intangible. It is possible to own fluids and gases. It is even possible to own sounds or odors. Property can exist in a contract, such as an agreement between two persons to perform in a certain manner toward each other. One man works for another man. The second man rewards the worker by paying him. They have a property relationship. Neither man owns the other man, nor the property of the other man. But both men have a property interest in the agreement existing between them.

The primary property with which we all begin is the property of the person. Each man owns himself. He owns his own energy, his own physical body, his own thoughts and ideas, his own time (time as he experiences it).

All property concepts begin with the concept of the ownership of the person by himself. All other properties are viewed as nothing more than *extensions* of the person beyond himself, over which exists the same kind of control he exerts over himself and his faculties. The man who owns a rake has acquired an extension to his arms and fingers. He owns the rake in the same way he owns his arms and fingers. A man owns a car. The car is an extension of the man's person in a transportation dimension. He owns the car exactly as he owns himself. This is true of all property ownership.

Each person has one head. He makes decisions in his mind respecting the control of his person. He may wish to confer with others but, in the end, the decision-making power over himself is made in his own mind. This is also true in respect to property when it is owned. Since all property is viewed as an extension of the person, it follows that in a correct property ownership condition, there is only one owner, one mind, or one head.

Is this to say that joint ownership, in which two or more owners unite in owning a given property, is somehow incorrect? Not if it is properly done. The fact is that property is usually viewed as passive and entirely subject to the will of the owner. The will is invariably singular. You do not have two minds, you have one. You cannot have two different people in total control of a single property. Only one can be sovereign, that is to say, only one can be in a position of exercising ultimate decision-making authority, the real hallmark of ownership.

There is nothing incorrect about having two or more persons pool their resources as owners of a given property, But to escape mythology and supposition, it is important that if they do own something jointly, they realize that two persons cannot both make *ultimate* decisions concerning that property. Thus, if two partners join in business on a fifty-fifty basis, the fact is that whenever they have a divergence in view, they are apt to have a conflict in fact. However amiable they may be, it is not possible for two persons to always think alike. Therefore, even if their financial interests in the joint venture are equal, they should determine at the outset who is going to have the ultimate decision-making authority. Failure to make this provision could lead to all manner of difficulties later.

This is particularly important in very intimate partnerships such as marriage. A great many of the trials and tribulations in the marriage partnership are caused by neglect of this important fact. However much two persons love each other and are generally compatible, two persons cannot exercise ultimate decision-making authority over a given property. There is certainly nothing wrong, morally, if they elect to leave such decision making to future debate and compromise. But it is important that they realize such debate and compromise will arise.

Remember, the condition of ownership emerges because of the nature of man, not because of the nature of property. The relationship descends from the owner, it does not arise from the property. Most of the conflict that we experience as human beings arises in dispute over property, and over the question of ownership. If we are to maximize human well-being, we must learn to anticipate problems that might arise in this area and take effective action to minimize the possibilities of conflict.

Keep in mind also that the concept of ownership is a particularly sophisticated and abstract concept. It depends upon moral understanding and not upon force. Further, there is nothing that happens to a piece of property which can reveal to you (through the physical senses) who the owner of the property is, or whether it is owned. Even having your name engraved on an object will not absolutely assure you that a stranger will, by this process, know that the item is yours. Properties with the name firmly affixed have been sold to others. The existence of the name of a person upon a property does not *prove* ownership. It may be helpful for a time but it is never conclusive.

Then, there is such a thing as *partial ownership*. This is particularly the case where credit is involved in the purchase of an item of property. You buy a house. To do so, you borrow money from a lending agency. You provide the lending agency with a mortgage, indicating that you have the house in your possession for your use, but you do not totally own it; you are in process of establishing ownership. Only when you have fully paid for the house do the rights of the lender over the house cease totally.

The test of ownership is to ask these questions: *May I, without asking anyone's permission, rightfully do as I please with the property? May I make ultimate decisions concerning it, without consulting anyone? May I, in fact, destroy the property (use it up in any way I please)?* If the answers are in the affirmative, you are, in fact, the owner.

In this country we have never fully accepted the idea that a man may rightfully own land in a total condition of ownership. Whether the land is improved or unimproved, we *act* as though the state (the community, the tribe) had a property interest in any real estate we acquire. We are required to pay an annual tax (land rent) for continued "ownership" of the land. If we really owned it totally, no such rent could be charged against us.

Further, even though there is no mortgage and no one other than ourselves has a financial interest in our land, we are prevented from improving our property without consulting others. This is a legal but not a moral condition. We may not build on our own land even with our own money, without first consulting the appropriate



department or bureau of the local government. Our plans must be approved by others who have no financial interest in our property. We may not even add a room, put in a fence, and, in some places, even paint our property without obtaining prior legal permission.

This is a legal intrusion, but it is not a moral one. It preserves a much earlier and far more primitive concept, which denies ultimate ownership (private control) to the rightful owner. It means, in fact, that "society" has a vested interest in the property we exclusively are presumed to own.

Were we fully mature in our understanding as individuals and as a nation and as a people, we would abandon this practice. At the moment, such abandonment seems unlikely.

This takes us to the condition of *ownership in conflict*. Whenever two or more persons have an apparent claim over a given piece of property, conflict develops. For we cannot tell without debate or struggle of some kind who is to make ultimate decisions concerning the property. This is illustrated in every community where so-called "public" property exists.

The author, while serving as editor of the *Colorado Springs Gazette Telegraph*, was asked by the city manager to publish a notice that would reserve a city park for the use of visitors from another city. The author telephoned the city manager and sought the identity of the owner of the park.

The city manager assured him that the park was "owned" by the city. The author asked the identity of the city. He was told that the city was *everyone*, all the taxpayers.

He then inquired if he was one of the owners, since he was a taxpayer. He was assured that he was. He then asked if someone from the city manager's office would go to the park with him to identify that portion of the park which he owned. If this could not be done, would the city manager please send him a certificate of some kind indicating that he owned so many shares of the park?

He was told that neither was possible. "We don't do things that way." LeFevre explained to the city manager that if he, LeFevre, was an owner, then he was a decision maker over what he owned. And no one had consulted him as to whether or not it was his wish that the park be used by others than the rightful owners on the day in question.

The city manager said that this decision had been taken by the council. The council had decided, acting for “all” the taxpayers. If anyone disapproved of a given decision, any taxpayer could work to remove the existing council members and replace them in some future election.

The city manager asserted that this was exactly the same process that would occur if a person owned stock in a corporation. There would be a group of elected managers and stock owners would be bound by their decisions in exactly the same way he was bound by the decisions of the city council.

“Not so,” argued the author. If he purchased stock in a given corporation, he did so volitionally and for profit. Further, he received a stock certificate giving evidence that he was an owner, in fact, of so many shares of stock. If he didn’t like the decisions made by the managers of the corporation, he could always sell his stock. He could even refuse to patronize that corporation by refusing to buy its product or service.

With the park, each taxpayer was compelled to “purchase” shares, although he could see no profit in it. His purchases weren’t volitional, for he had no recourse but to pay whatever fees were assessed against him. Further, he had no certificate of ownership and therefore was helpless and could not even dispose of his non-profitable stock in the park.

The discussion finally was broadened to include some of the park commissioners. The conclusions reached were these:

- (1) The “owners” of the park (taxpayers) could exercise no decisions over what they owned. They had no authority. They couldn’t even obtain it by an election.
- (2) The persons who exercised decision making powers were in a position to run up costs without limit and to compel the “owners” to pay for any such costs.
- (3) The persons who used the park didn’t have to be either decision makers or owners.

This is property in a relationship entailing conflict. And this is

always the case when we are confronted with what is called "public" property.

Curiously, this is the goal of the socialists. The park had been "socialized" in that it was, in theory, "owned" by the masses. In fact, the masses exercised no authority over the park. They couldn't even use it unless those in control permitted it, yet they were compelled to pay all costs arising from its use.

Socialized property invariably gives rise to conflict. The conflict ceases only when those in the masses admit that they are merely the puppets or the slaves of the state, and the state then *acts* as though it is the owner in fact (although everything is paid for by the work done by the masses.)

If our purpose is to maximize human well-being, how can this be done by converting men (decision makers) into non-decision makers? How can we maximize human well-being by maximizing the area of conflict? One of the prime differences between private ownership (individual or joint ownership) and collective ownership (control by spokesmen for the masses) is now revealed.

In the issue raised over the use and control of the city park, the only way to remove the park from the area of conflict was either for the people to admit that they had been tricked and were helpless to do anything about it, or for the property in question to be transferred to a private owner. If a private owner had the park, then there could be no rightful dispute over who was to make use of it. The owner could admit any he pleased or refuse admittance to any he pleased. The costs would be borne by the owner or by the users if the owner saw fit to charge them for the use of his property.

All conflicts over property arise over conflicting claims to control. If ownership is clearly established (individual or joint), there can be no real conflict over control. It would clearly reduce the area of conflict if all property were owned individually or jointly, with decisions reached in advance as to who the ultimate decision maker will be.

Some conflicts over property control are probably unavoidable, even among men of good will. But if we can reduce the area of conflict, we can maximize the possibilities of human well-being.

Ownership is a moral condition existing because of an

established relationship between an owner and an item of property. The fundamental characteristic of all ownership is its exclusive nature. When a property of any kind is owned in fact, the owner exercises control over that property in the sense that he is the only rightful decision-maker over it. All the rest of the world is excluded.

We have already specified that property is anything that is subject to ownership. And we have shown that property can exist in a state of non-ownership, in a state of ownership, and in a state where a conflict exists over its ownership.

What characteristics must a property have before it is subject to ownership? There are three such characteristics. Any item which lacks one or more of these characteristics is not a property; that is, it is not subject to ownership. The three characteristics are these:

- (1) Value.
- (2) Boundary.
- (3) Control.

*Value* is a judgment imposed by an owner or a would-be owner upon an item of property. No property has any real intrinsic value, although we often say it has. What we really mean is something quite personal. We mean, when we express a value preference, that the property in question has a value *to us*. Others are bound to value it differently. We will take up the question of value more fully later on, for it is an important point.

It is important at this time that we show only that if a man does not value a property (exercise his value judgment over it), he will seek to dispose of it in the most profitable way, or by the least-cost method. So for a relationship of ownership to occur at all, value must be in the picture. Such value is always *subjective* and *relative*. That is, we value the property insofar as our own view of the property is concerned. Likewise, we value it relatively. We value it in relation to other things we also value.

For some time, it was held that for an item to exist as a property (to be subject to ownership), at least two people had to have a value preference for it. This is to say that it had to be marketable. A property will obviously not move in the market if it is only valued

by its owner. Most properties are marketable, if the price is right. But this is not a condition of ownership. All that is really necessary for an item to be a property insofar as value is concerned is for one person to value it. When we express a value preference, we often have what could be called a "sentimental" value. It could also be termed an "eccentric" value.

An example of this type of evaluation is the following: A girl is invited to the senior prom. She was invited by the boy she likes most. At the beginning of the evening, he presents her with a corsage. At the end of the evening, the corsage is withered and crushed. Obviously, it is no longer a particularly desirable item of property. However, the girl extracts from it a single blossom and presses it in a book. It becomes a treasured keepsake. It might be, at this moment, the single item of property she values most highly. It is doubtful that she would be able to obtain a competitive bid for it in any market that could be established. But that pressed flower is a property and fulfills the characteristics of having value to the owner.

*Boundary* is equally essential to any property. Property is not only subject to exclusive ownership, every property is limited in extent. This is essential since all ownership is no more than an extension of the person. And every person is of limited size and contour. Everything that a person acquires as property or seeks to acquire as property is likewise limited. No property is boundless. Every property has limits, and the limits must be susceptible to demarcation for the purpose of identity.

Every boundary to any property tells us what is owned by the owner. Likewise, it tells us what is not owned. You own up to the boundary; you do not own beyond it. Therefore, if an item is property, it is subject to the rule of boundary. If no way exists at the moment whereby the boundary can be accurately described, then the item is not property and is not subject to ownership. This may not prevent, with improved technology, a way of discerning a boundary in the future. However, until such boundary can be found and accurately determined the item under question is not a property and cannot be owned.

Obviously, when we are dealing with three-dimensional items

boundary is rather easily found or created. It is in the area of the intangibles that a boundary may be difficult to find or even, at the present time, impossible to locate. With tangible property, many times the boundary relates to the nature of the good itself. A car, a chair, a house, and a suit of clothes are obviously bounded by their own sizes and shapes. So are items of personal use such as combs, toothpaste, and lipstick. So are foods, tools, weapons, and most of the things with which we are in constant contact.

Land presents an interesting problem since it doesn't come in small and relatively limited chunks suitable for ownership. Rather, land is extensive and for purposes of establishing ownership we inscribe boundaries on it, indicating these boundaries by fences, signposts, roads, streams, or by putting lines on maps which accurately indicate the location of specific parcels of land.

It should be kept in mind that land is three-dimensional, while most of the land boundaries with which we are familiar contain only two dimensions: length and width. This had led to some conflict and probably will lead to further conflict in the future until the point is grasped. If a land owner is to make certain that he fully enjoys the land he acquires, he should take the time and trouble to lay claim to the land he owns from its surface to some specific depth. Here it is not satisfactory to say that you own the surface and "as far down as you wish to go." You'll have far more dependable land rights if you specify a reasonable depth and stick with it. You own the land downward, including all minerals and metals found therein, for a depth of 500 feet, or 1,000 feet, or some other definite distance.

Similarly, few people have considered the importance of the space above their land. We can establish boundaries in space. When you acquire ownership of land, in order to protect it from trespass, it would be helpful for you to claim all rights of occupancy of the space above your land to a definite height. Again, it is not sufficient to say that you own from here "up." Or "to the moon." Make your boundary specific, limited, and reasonable. You own upward to 500 feet, or 1,000 feet, or some other precise distance. This is a problem that has arisen in connection with many pieces of land owned near airports. Airplanes often come

uncomfortably close to houses which happen to be just below an established flight pattern. If you have established your ownership to a certain amount of space above your property, then rightfully no one else may occupy that space without obtaining permission from you.

The fact that you can't see a spatial boundary doesn't mean that it can't exist. Often we can't see the boundaries of a parcel of land separating it from other parcels. However, the line can be plotted with accuracy on maps, and that is sufficient.

You can also own the air that you can successfully bound. You can compress it into a cylinder. The cylinder provides the boundary, and the air within the boundary is property although the air outside the boundary is not. This could be true of an odor, a beam of light, or a melody. Contain it, provide a boundary, and you have a property. Fail to provide a boundary and you do not have a property.

This also would be true of ideas. So long as an idea exists in your own mind exclusively, it is your property. Once that idea is shared with others, unless an agreed-upon boundary is first established, the idea no longer is bounded. However deplorable this may seem to inventive and creative people, it is a fact. An idea for which the boundary has vanished is no longer a property. It cannot be owned.

The trouble with most "idea" people is that they want to share their ideas with others, but at the same time remain in exclusive possession of them. This isn't possible—just as it is not possible at the present time for a person to own certain molecules of air because he cannot bound them. Ownership is an exclusive condition. It is predicated upon a discernible boundary. Take away the boundary and ownership, in fact, vanishes.

With respect to ideas, if you have established some kind of agreement in advance (a boundary) so that possession does not entail ownership transfer (as with a rental property), then the ownership might continue. But if no agreement (boundary) is created, then the idea ceases to be a property.

It isn't necessary to establish boundaries in space if you can accurately establish them in time. All contracts and agreements exist in a time sequence whether they are bounded in space or not.

Time is of the essence in virtually all agreements, including most credit arrangements.

One man agrees to work for another man for a week. The boundary of the agreement relates to the period of time of one week. The employer agrees to pay a certain sum of money after the week; the employee agrees to accept that sum in exchange for so much work. The amount of money can be bounded. So can the amount of work. But the essence of the agreement is the time schedule, one week. Beyond the week no property exists.

For emphasis, keep in mind that a contract or agreement does not create a condition of ownership of either contracting party nor of any property owned by a contracting party. The only property is the agreement itself, and this is jointly owned by the contractors.

For example, *A* agrees to pay *B* the sum of \$100 for a week's work. *B* agrees to perform the work in an agreed-upon manner. The week passes and the work is done. Now, does *B* "own" \$100 of *A*'s money? Not yet. It is up to *A* to deliver the money, not up to *B* to take it. Until the money is actually delivered, it is *A*'s money and not *B*'s. *B*'s property is in the agreement, not the money. But all obligations remain obligations until they are discharged. *A* does not lose his interest and ownership of the money until he has met this obligation of his own volition and completed the transfer.

The matter of boundaries should now be clear. All property on the owner's side of a boundary is his. He has total decision-making authority over it. All property outside the owner's boundary is presumed not to be his. He may not know who the owner of that property is. But he can be expected to know what he, himself, owns. So although it is true that a person cannot tell by looking at a piece of property who the owner may happen to be, each of us fairly well knows when we are examining a property that is *not* ours. Now we come to the element of *control*. After a property has been valued and the boundary established, then control is possible, if the item is subject to ownership and, therefore, is a property.

*Control* is nothing more than the exercise of ultimate decision making authority over the property. The owner is viewed as the sovereign over what he owns. What does that mean? It means that there is no higher authority. The sovereign can do no wrong. He



need not appeal to anyone above himself. As an owner, he can make any ultimate decision he pleases concerning anything he owns, and he cannot be morally wrong. Control always contains two elements:

- (1) Authority.
- (2) Responsibility.

If a man may make any decision he pleases over a property, he is obviously the authority over that property. That is what ownership means. With authority goes responsibility, and the ownership of any property entails responsibility. Just as the individual is the authority over himself and is responsible for his own situation, so he is the authority over, and is responsible for, any property he owns. This means that the owner of any property must meet all costs arising from the operation or the behavior of that property. If you own a dog and the dog bites another person, it will be presumed, on moral grounds, that the dog is merely an extension of yourself and hence it is the same as if you had bitten the other person yourself.

If you own an automobile and it collides with an item of property belonging to another, it will be morally presumed that the damage to the other party's property was inflicted by you personally, even though it was done by a machine. Your moral responsibility would disappear if, say, someone stole your car and then a collision occurred while the thief was operating it. As we have indicated earlier, the car belongs to the thief who is responsible for its behavior. The thief would be responsible for his own actions, which would include his act of theft as well as his action in the collision.

The law has become very cumbersome and contradictory at this point. But remember, we are not concerned with the legal aspects of property and ownership so much as we are concerned with the rightful (natural and moral) aspects.

*Authority* means that you and only you may make ultimate decisions over your property, since you are the exclusive controller. *Responsibility* means that you and only you can rightfully be assessed for the costs arising from the operation of your property

or for its existence. Thus, if your property is stolen, it is not up to “society” to make good to you. It is up to you to protect yourself and to assume the full costs if any accrue. Responsibility and authority are both exclusive conditions.

Incidentally, it might be pointed out that the only rightful authority that can be ascertained in the world is the authority of a person over what he owns. All attempts by some to take authority or power over others without their consent is a usurpation and a wrongful act. You own your own person and all extensions of it in property. You are the authority over yourself. You are responsible for yourself. Thus a thief is irresponsible and an act of theft is wrong.

It is of interest to recall the characteristics of collective property at this point. Collective property, remember, is the kind that is presumably owned by the mass (everyone) but is managed by those who appear to “represent” everyone. In such a condition, the “owners” (taxpayers) are made responsible for the property in that they are compelled to meet all costs arising out of its maintenance or use. But the agents (elected or appointed managers) over the property have all the authority.

There is an old story that describes this condition. Two men were discussing what hell would be like. One of them came up with this definition: “It is a place where I could be made responsible for everything that happened, but I’d have no authority to do anything about it.”

That is precisely the condition in collectively owned property. The taxpayers are made to assume all financial responsibility, but the politicians retain all the authority.

We have already indicated that ownership of property is predicated upon moral understanding. So basic is this understanding that it is nearly universally adopted, although its adoption has not always followed identical procedures. We speak of a person who behaves “properly” or who is “proper.” The root of “proper” in the sense of correct (moral) behavior is the same as the root of the word “property.” Proper behavior is behavior that recognizes and respects the proprietary rights of owners. Moral behavior is proprietary behavior.

Every truly immoral act in the world (we exclude actions that are merely illegal) is nothing more nor less than non-proprietary action. Such an act is a violation of the property boundary of a property owner.

To refine that idea still further, let us examine the nature of "trespass." The idea persists that a trespass must invariably contain the element of physical harm to its victim. But this is not so. Think of man as a decision maker. Think of him as a rightful decision maker over his own person and property. Every trespass, every act of molestation, is nothing more nor less than the imposition of the will of a non-owner upon an owner, in respect to something that owner owns. In other words, trespass or molestation is the violation of an owner's will in respect to some property of his.

Actually, damage does not have to occur physically. For example: A man wishes to give a party and he invites a number of people to his home. They come in and consume all kinds of properties he has provided. This may cost him a great deal of money and do his property considerable physical damage. But he is not the victim of trespass in spite of the damage or the cost. His guests are present through a direct action of his own will. He wanted them there. They are costing him plenty but they are not molesting him.

Now, a stranger appears who "crashes" the party. The stranger doesn't consume a thing. He simply enters the premises and stands there doing no harm. He is a trespasser, and is engaged in molestation. He is there without the concurrence of the owner's will. Every act of trespass or molestation is the violation of the will of an owner in connection with something he owns, either his own person or some other property.

In this connection, a threat to commit a trespass, even though the act does not occur, is viewed as molestation. For it, too, violates the will of an owner in respect to what he owns. If someone threatens to violate a property boundary, the owner will probably have to revise his actions or at least take the time to prevent or curtail the threat. The threat, then, is an act of theft, for it is robbing the owner of his time and energy through the imposition of

another's will. The only way a person can avoid improper (non-proprietary) action is to become very much aware of the property rights of others and conduct himself with full respect for the property boundaries of others.

It has already been indicated that there are certain things that are not property because they are not subject to boundaries. It would also be true that an item that is not subject to the control of an owner is not a property. Ownership rests upon value, boundary and control.

A typical example of the area where control cannot be exercised is the "good name," or reputation, of a person. We have laws that make it appear that each person has a property in his own reputation. Thus, if one person says something against another, that person might be sued for libel or slander. But the fact is that you have no control over what someone else may think of you. You may feel that you are deserving of the highest consideration by others. Whether they will extend that consideration to you is something else. You cannot control their opinions. You may act so that you *deserve* a good reputation, but you cannot compel it. In actual fact, what they think of you is their property, for they can control it. It is not yours. It has a value to them, is bounded within their own minds, and is subject to their control. You may be able to influence their opinion but you cannot control it for them.

When we are dealing with items that have precise boundaries and are subject to the control of the owners, we are dealing in the moral area. This gives us a concept where precision can appear. We know absolutely how far our property rights go. They go up to the boundaries of what we own, and thus control. They do not go beyond. So when we find ourselves in an area where the property (moral) rules cannot be invoked, for one reason or another, we fall into the area of *manners*. Good manners are a substitute for moral boundaries where the latter cannot be determined.

Let us suppose, for example, that a man enjoys eating onions. He purchases them and he eats them. This man wishes to go out with a woman who becomes ill if she has to smell onions. The man has a right to eat the onions. The woman has a right not to smell them. How do we get around that dilemma?

The question of the boundary of the onion odor is a problem we have not as yet solved, at least within a moral context. We cannot say that the man has a right to inflict an unpleasant odor on the woman. We cannot say that the lady has a right to prevent the man from eating onions. Thus, we are in an area of manners and not of morals.

If it were possible to precisely show the boundary of the onion smell, we might be able to transfer this question into the property area. In this instance, we are lacking as yet in sufficient technology. The extent of the odor is in part determined by the sensitivity of the woman's olfactory equipment. In theory, the onion odor may extend for many yards. But at various points in space it will no longer be detected, depending upon who is doing the smelling. Nor must we confuse causation of the odor with its boundary. Obviously, it is the man who eats the onions who releases the odor. But the boundary of that odor cannot be determined with accuracy.

So good manners come into play. The man, knowing that his friend is offended by this odor, doesn't eat onions if he knows he is to be with her. In other words, he presumes that she has a property right that is determined by a boundary that doesn't really exist. He presumes that this boundary comes right up to and includes his person, which it doesn't.

But suppose the man doesn't know that he is going to be with the woman and has already devoured the onions. Now she appears. It is good manners for her to bear up under the burden and to ignore the odor if she possibly can. In other words, she presumes that he has a property boundary well beyond the range of his person, which of course is not so.

This is all mannerly behavior is. It is the presumption of the existence of a property boundary that cannot be determined; and the presumption is made in favor of the *other* party.

When we are dealing with property boundaries, we do not have to presume. We know where the boundaries are. We know precisely where we may go without trespassing and where we may not go. Where boundaries are not discernible for any reason, we act *as if* there were boundaries in existence, and we give the other party the benefit of the doubt.

When it comes to suitable relationships between persons, even when property boundaries are known, good manners are indispensable. Many times a trespass is inadvertent. It is usually superior to presume inadvertency rather than trespass, and to forgive and forget the incident.

There's a little jingle that illustrates the point. It's a rhyme presumably found on a tombstone:

Here lies the body of William Gray.  
He died maintaining his right of way.

Good manners would certainly have been more prudent for Mr. Gray than a bullheaded insistence upon his property rights.

We have indicated that property can exist in a condition where it is unowned, in a condition where it is owned, or in a condition of conflict. We have also shown that for an item to be owned, it must have value to the owner, it must be susceptible of boundary (limited and precisely defined), and it must be subject to control.

On the earth today there is little virgin property left. Nearly everything that is subject to ownership is already owned. Much of the property that is owned is in a state of conflict, such as all collectively owned property. But at least the property is not unowned. Today, if anyone desires to own property of any kind, it is usual to enter the market in search of it. This is far more practical than to go looking for unowned property because it is now so scarce.

So we have a simple and nearly universal method of procedure. When we desire to own a given property, we look for the present owner. Having found him, we attempt to convince him that he should let us obtain that property.

In the vast majority of cases, we offer to buy the property from him. This is merely a form of exchange or barter. We have something that we are willing to give him, if he will give us the item of property we want at that moment.

Factually, we offer him no more than is absolutely necessary. In fact, if we think we can get him to give it to us for nothing, we might make that attempt. There is nothing immoral about offering a low price, and zero is as low a price as you can offer. If he will not

accept zero, then we begin raising our offer. If we are to acquire the property, we finally reach an exchange plateau. This is the point where the offer is high enough so that he will accept it and still low enough so that we will pay it.

To be precise in this area, we don't necessarily exchange properties, we exchange respective claims to ownership that we have. Often, of course, we make an actual physical exchange. We buy a basket of groceries at the market and we take the groceries with us. We transfer into the hands of the grocer the actual money involved. The exchange is completed and we grow to believe that we exchanged items of property. What we really did was to transfer our respective claims to the property.

Take, for example, a situation in which a man wishes to buy a piece of land in England. He lives in New York. It isn't even necessary for him to cross the ocean. He can arrange with his broker to buy the land for him. After it has been purchased, it surely is not going to be hauled across the ocean. The purchaser may never see it or set foot on it. How does the seller in England receive the money? The purchaser notifies his bank that he is ready to relinquish his claim to a certain sum of money that he has on deposit. The banker notifies his counterpart in Britain that the transfer is to be made. All that happens is an exchange of credits and claims. Nothing but paper, including the instructions on how to proceed, need cross the ocean. Today, instead of using paper, we are able to transmit the human voice or electronic impulses.

In reality, all transfers of property are no more than the transfer of respective claims to ownership. This would not be possible if we had not evolved far enough to make ownership and, thus, moral control of property possible.

But how did property ever become owned in the first place? As was indicated in an earlier chapter, property probably was first "possessed" by a human being, rather than owned. That is, he simply appropriated something from nature and kept it close at hand where he could exert his physical prowess in order to retain it. There will be some who say that such appropriation was an act of theft. This can be denied. For something to be stolen, a violation of the boundary of an owner would have to occur. If the property in

question was not owned, then it follows that the mere act of taking it from nature and possessing it is not theft, for no one was victimized.

Even when ideas of ownership had been developed and practiced for years, laying claim was still the way property, especially property in land, came into human possession and ownership. Some have called this system “finders keepers,” but I will continue to use the term “claim.”

There appears to be an element of guilt in the minds of some because it is demonstrable that whoever made the first claim prevented anyone who came after him from making a first claim. But this attitude is not reasonable. Men *must* have property in order to live. If life can be justified, then property ownership and control can be justified. Someone has to be first.

The person who made the first claim to land performed a market service. He either used the land and made it productive to some degree, or he refrained from using it and merely kept it speculatively. In either case, he served the market.

The establishment of a claim takes a certain amount of effort. Once the claim has been established, it need not be reestablished. It is usually easier (it costs less human energy) to deal with the owner of a property already owned than to establish the claim in the first place.

But how is a piece of land originally claimed? The first step in the process is the expression of a value preference. Someone wanting land selects a particular piece or amount of land rather than continuing to look for something else. Having made this value judgment, he now proceeds to bound the land. He runs a fence or puts up markers indicating the extent of his claim. He will probably make a public record of these boundaries. He will do this because he wants others to respect his boundaries. In order to have others respect his boundaries he must be prepared to respect the boundaries of others. It is cheaper and more practical to respect the boundaries of others and to serve public notice where one's own boundaries are, than to presume such public notice can be overlooked.

How does he serve public notice as to the location of his



boundaries? Nowadays, since nearly everything is owned, we tend to file the records in county courthouses in order to notify the public. But before there were county courthouses, or even governments, men owned (not merely possessed) land. Land was viewed as sacred. It was bounded by posts or markers of various kinds, each of which became sacred to the various pagan deities in vogue in a given locality. Trespass was regarded as immoral, not because the boundary was to be defended, but because it was a violation of the sanctity of the god whose boundary was indicated.

There weren't any public places of notification in those days. A property owner simply told his neighbors where his land boundaries were. In addition, owners may have used images of their household gods, rocks, marks on trees, hedges, and natural features such as streams, trees, lake shores, or ravines. They made walls from stones, and finally built fences. Primitive tribes are believed to have taken their children around the territory claimed by the tribe. The children were spanked at the places where trails crossed into adjoining territories, thus impressing on young minds the idea of non-trespass. The ideas of private ownership, and prior to that the sanctity of tribal rights to a territory, are deeply rooted.

In seeking to justify first claim to land, the seventeenth-century English philosopher John Locke wrote an interesting argument which appears in his *Second Treatise on Civil Government*. Locke said that each person owned himself and in consequence we could say that the energy of that person was peculiarly his own. If a man put a plow into the earth and plowed a field, it could be said that he mixed his labor (his property) with the land which was in a state of nature, and by this process made the land his own.

This argument apparently satisfied many, for the idea still persists today that rightful ownership of land is based upon labor, and specifically the labor of the farmer. But it is a rather incomplete argument for it presumes that if the land is unplowed and undeveloped, it cannot rightfully be owned.

Actually, a man can plow a field and not own it because he does not value it enough to establish a claim to it. Or a man can lay claim to a piece of land and not plow it, yet it can become his property.

John Locke wrote before there was much in the way of industrial

development, and most land was viewed as having utility only to produce crops or as pasture. Although plowing land may enhance a man's evaluation of that land, this by itself will not produce ownership. He must mark his boundaries and lay claim. Then he takes control. That is, he exerts his authority over the land and, likewise, assumes responsibility for it.

The word "claim" comes from the Latin meaning "clamor." The claimant makes a noise. He notifies others to the best of his ability. If he is the first person in a given area who lays claim to the land, it is clear that he has not taken the land from any other person. There *was* no other person. This is one of the factors creating the *belief* and *trust* of ownership. In the end, others must respect your boundaries or you may suffer their incursions.

Arguments frequently rise as to the amount of land a man may rightfully claim and thus own. These arguments are largely *passé* since virtually all land is already in a state of ownership or a state of conflicting ownership. The fact is, nature sets no limit.

Of course, if a man is to have his claim respected, he is going to have to do certain things. He must first make certain that he is, in fact, the first claimant. Just to locate a large piece of land is not sufficient. The would-be owner must be diligent in making certain that he is not engaged in claiming a property already owned by another.

In the long record of human acquisition of land, most men, acting outside of the control of government, had this thought in mind. Where governments intervened, the rightful claim to a piece of land was frequently ignored or overridden. Columbus laid claim to all the Americas without bothering to consult the natives who were starkly in evidence at the time. This was clearly an act of political usurpation. Several kings played fast and loose with the land in America, trading it off one way or another without bothering to find out whose property rights were being violated.

Sometimes private individuals behaved in the same immoral way, but usually they did not. However, many of them simply relied on their governments and were quick to take advantage of an act of governmental usurpation.

A good example of proper behavior is said to have occurred

when William Penn obtained a patent on land in the New World, including much of Pennsylvania. He purchased this patent from King James I for a substantial sum. When the king asked him what he was going to do, now that he owned all that land, Penn responded that he was going to come to the New World to deal with the proper owners, the Indians. He did so. And the result was that Pennsylvania was a particularly peaceful area and that, so long as Penn had anything to say, no single instance of an Indian-inspired uprising against the white settlers ensued. In other words, both Indians and whites respected the property claims of the other.

One of the difficulties many people experience in considering this problem of land ownership relates to the supposition that once the land is owned, it goes off the market forever. This is simply not the case. If you consult any good classified advertising section in any daily newspaper, you will be impressed with the enormous number of pieces of land, both improved and unimproved, which are up for sale. It is a truism among real estate brokers that *every* piece of property in the world is for sale, *if* the price is right. Rather than having a rigid and limited market in land, we have an enormously flexible and virtually unlimited market.

Just because a piece of land has been sold doesn't mean that it will be off the market for an indefinite period of time. Instances occur constantly wherein a given piece of land will be sold several times within as short a period as six months.

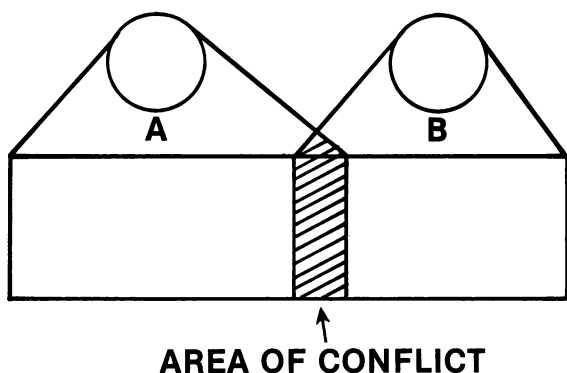
Sometimes people object to the idea of land speculation. They contend that land ought to be *used* and not merely held for speculative purposes. Factually, *all* land is owned speculatively. Improvements are made to the land partly because we want to use the land now and partly because we believe that by improving the land and putting it to use, we will enhance its speculative value on the market. We hope to raise the price when we sell. We certainly expect to sell.

All proper (proprietary) behavior and, therefore, all moral behavior, recognizes and respects the rights of owners over their properties. All improper (boundary-violating) behavior and, hence, all immoral or criminal behavior institutes a kind of claim jump and introduces a conflict over the control of a property.

In a later chapter we will take up the matters of crime,

protection, defense, retaliation, punishment, and so on. It is sufficient for us at this time to realize that a crime occurs, not because of what happens to a piece of property, but because of what happens to the owner of a piece of property when his will is thwarted in respect to what he owns.

There is no mystery over this matter of conflict over control of property. There are a limited number ways in which a conflict can be resolved. Assume a situation in which an honest dispute arises between two men who own adjacent land. The boundary between their respective holdings has been improperly drawn for one reason or another.



How can this be settled?

- (1) Either man can surrender his claim, letting the other win.
- (2) They can compromise their differences.
- (3) They can continue the conflict.

There are no other possibilities. To solve the problem there are three steps to be taken:

- (1) Learn the facts.
- (2) Make a decision.
- (3) Gain acceptance of the decision.

How are these things to be accomplished? A peaceful decision

can be reached and supported. A violent decision can be reached and supported. Or no decision can be accepted. What is important for us to recognize at this time is that the fewer conflicts we have and the shorter they are in duration, the more we can maximize human well-being. Thus, the task of every involved property owner ought to be to consider ways and means of bringing the conflict to a termination as quickly as possible.

Unfortunately, there are certain factors that appear, particularly in government-dominated societies, wherein it can seem profitable to extend and enlarge the area of conflict. In the large, overall view, this is never profitable, but it can be made to appear profitable.

Once a claim has been established, either through first claim or through the exchange process in which prior claims are relinquished in favor of the new claimant, ownership of property becomes a total condition. Sometimes, with relatively small or inexpensive items, the process of establishing total ownership is simple and occurs in an instant of time. A man offers another man a dime for an apple. The two items are exchanged. Presumably, by this process the former owner of the apple relinquishes all his rights, title, and interest in and to the apple, and the former owner of the dime relinquishes all his rights, title, and interest in and to the dime. Possession of each object is transferred on the spot and ownership is established as a total condition.

But suppose a man wishes to buy a large apartment building. This is not so simple. You can't just pay over the money, pick up the apartment building, and walk off with it. Lots of things are involved: tenancy, furniture and furnishings, taxes, insurance, repairs, utilities, maintenance, mortgages, etc. To effectuate a transfer of hundreds of thousands of dollars and a large, complicated holding of this sort may take many weeks or months. Usually in cases of this kind, an escrow is opened with a bank, an escrow company, an attorney, or some other trust officer, and both buyer and seller make demands upon the other which must be satisfied before the actual exchange takes place.

It may take some time for each party to fulfill the demands made by the other, without which fulfillment the exchange will not occur. But until that moment occurs in which all demands are met, the

apartment building remains the property of the seller and the money remains the property of the buyer.

Ownership is never complete until *all* the factors of ownership have been established. Remember what they are:

- (1) Value.
- (2) Boundary.
- (3) Control (authority and responsibility).

Until all the conditions of the sale have been met to the satisfaction of both buyer and seller, the transfer of ownership has not been completed.

The same situation pertains in respect to disowning a property as pertains to acquiring a property. It is not sufficient for a person simply to devalue something and thus cease his ownership and hence his authority and responsibility.

Illustration: A man owns a light plane which he is flying over an urban area. The motor stops. Try as he will, he can't get it started. The plane is going to crash. At this moment, his evaluation of the plane undergoes a rapid and total revision. When he took off, the plane may have been the item of property he owned that he valued most. Now that it is about to crash, it is the single item of property he values least. So he flips on his radio (which still works) and announces that he is now disowning the plane and so is no longer the authority over it, nor responsible for what it may do. Does this divest him of ownership? No, it does not. He has lost his value for the plane and he has lost control of it. But the boundary of the plane is still his responsibility, unless he can locate someone who will voluntarily come forward to accept that responsibility. This solution in the given situation is unlikely. Until he has lost his value, successfully managed the boundary transfer, and relinquished control, his ownership continues just as the ownership of the apartment house continued in the hands of the seller until *all* terms had been met.

Owning property is a responsible procedure. Most people are delighted with the authority that property ownership conveys but many are unhappy with the responsibility factor. They want authority over their property, but they would like everyone else to

assume responsibility. But unless you are the government, you can't get away with that.

Keep in mind that when you wish to dispose of property, you must either find someone else who will become a voluntary owner, or you must clearly indicate that you are canceling your claim to the the property totally and that anyone who wants it may simply appropriate it. This is especially significant when a person wishes to bequeath his assets to a survivor. The survivor must be willing to accept. Remember that the entire difference between possession and ownership relates to the moral factor. When possession was the rule, the concept of right and wrong was probably not in existence. Any person could have any property in any amount if he was big enough and strong enough to hold it. He could not make a decision concerning the property and expect it to be meaningful in his absence. His physical presence was necessary.

When we began to increase the amount of property available by increased production, we then found that mere possession was impractical. The amount of property any person can dominate physically is very limited. So the idea of morality was introduced which meant that a man who owned something could be the ultimate decision-maker over the property whether he was present or absent. Without the concept of morality or ownership, it would be impossible for bequests to be made. It would be impossible for a man to own anything beyond his immediate physical ability to possess.

Human well-being was improved enormously by ideas of ownership and morality, although these ideas have never worked perfectly or with total acceptance by everyone. However, those people who have accepted ownership as a moral position have had much higher standards of living, in the main, than those who have not.

And ownership (moral possession) is predicated upon the recognition of claim to property rather than an insistence that force be employed.





## Chapter 7

# Morality

Philosophers have debated the question of morality for centuries. In the main, there are two schools of thought with numerous subordinate views on either side aspiring for recognition. One extreme position holds that morality is nothing more than custom, is entirely subjective, and doesn't really exist in the world of reality. "Good" and "bad" are viewed here as being no more than value judgments; and since an enormous difference of view exists among various people as to what is "good" or "bad," evidence is available that there is no such thing as any objective "good" or "bad."

On the other hand we have the opposing extreme position. This view has it that morality is an objective fact, *not* subject to opinion. Those holding this view have usually taken it on the grounds of some kind of presumed authority. The two major origins for this authority are viewed either as theology or as legality. Morality is what the church (God, his angels, or his agents or deputies) says that it is. Since the presumed source of this view is divine, it cannot be challenged. It can always be stated that man's view is necessarily limited but that God's view is total. Therefore, even if man cannot see how a moral pronouncement applies, if the pronouncement comes from a divine source it is sufficient for man to recognize this source. The pronouncement of the "truth" must be accepted in that case without challenge.

The difficulties experienced by reliance upon church pronouncements arise from the fact that various church pronouncements differ. God, as divinity has been claimed and upheld in thousands of cases, apparently is not of one mind. The rules promulgated by every church are, to some degree, denied by other churches. The result is confusion and the supposition that the opposing school of thought—that morality is nothing but a subjective judgment—is correct.

The legal position, which is really nothing more than a defense in depth of the church position, holds that what is moral is what the law says is moral. The major difference between church and state is that the church depends upon the faith of its followers; the state depends upon its military and police power. Punishment for unsanctioned conduct in the former case is left to the events which may occur after death; in the latter case, punishment is inflicted now.

Thus, both church and state are punitive instrumentalities, each invoking a prescribed pattern of conduct which is termed “moral” or “right” or “just.” Church and state in this sense are competitors. Some of the most vigorous opposition to the state has been church-inspired. Some of the most vigorous persecution of the church has been provided by the state. But in a larger sense, church and state are no more than competitors for their respective moral pronouncements. And since it is obvious that we have many states and a multitude of governments at many levels, it is just as obvious that conflicting views arise between them.

Once more, the position of the amorallists looks good.

Curiously, the followers of each school of thought claim to support freedom and right conduct. The first school, in essence, says that anything you can get away with is proper. The second school says that anything the church (or the state) says you can get away with is proper.

The difficulty is that the scientific methods of observation and the employment of logic have only rarely been called into use at this vital point. For in a very real sense both of these schools, including both branches of the authoritative school, rely on force. The principal distinction between them is the question of when the force is to be applied and who is to apply it. The subjectivists will suggest

that force is to be applied by each person. What he can manage to get away with is satisfactory. In the authoritative schools, the force is to be applied by divinity in the hereafter or by the politicians in the here and now.

There are practical advantages that could be argued in favor of each position. There are obvious disadvantages in each position. But our purpose must be to come as close as possible to the truth, for it is only the truth that could be fully advantageous. To find out what is really so, we should employ logic and the scientific method of observation. If we can do that properly, we may come up with what might be called a *scientific morality*.

Once more we are confronted with two philosophic orders, the subjective and the objective; the view that is based on opinion, and the view that we are dealing with reality and fact.

It is helpful at this juncture to employ two words and not one. So, for the purpose of clarity, we will stipulate that when the word "morality" is used, we mean it to apply to *objective*, scientifically determined *fact*. That is, if the word "morality" can be justified at all, it will be justified because we can detect a *principle* of human conduct that universally applies and that can be recognized by all men, and by each man individually who applies the same rules. This principle must be based upon things as they are, and not upon either a theological or a legal decree. The principle would have to exist if there were neither church nor state to invoke it.

The other word we propose to use is "ethics." Ethics is the study of *values* and hence must invariably relate to opinion, that which is *subjective*. When we are talking about ethics, we are talking about a specific view of what is good or bad. This is bound to vary.

Let's depart for a moment from this tricky area of human behavior and turn to the physical sciences. In place of "morality" here, let us simply use the word "principle." And in place of the word "ethics," let us use the word "utility."

In the physical sciences we have learned a great many principles. These are rules respecting the predictable outcome of certain types of actions. We know, for instance, that if we take water and put it in a container, expose that container to heat, in time the water will undergo a change in appearance and composition. It will boil.

Anyone can conduct this experiment. There isn't anything magic about it. The results are predictable. Always. No exceptions. True, the amount of time to be taken in bringing water to a boil will vary depending upon the amount of water exposed to the heat, the nature of the container, and the degree of heat. Also, it will boil at different times and temperatures depending on the elevation above sea level, the density of air pressure, and so on. But there is no question about the fact that the water *will* boil if the conditions stipulated are followed.

The principle is a fact. But what of utility? This introduces the human element. What will you do with the boiling water? How much do you want? How much boil do you want the water to have? Etc., etc. These are questions relating to subjectivity. If you don't *want* boiling water, you may not take the time to boil it. Whether or not you want boiling water is up to you. *How* you boil water is not up to you, but up to nature. Nature has ordained the rules for boiling water. *You* ordain whether or not you will boil it.

Now substitute the words "morality" and "ethics." If we can find a principle of moral behavior, we will find an unvarying rule for human behavior which is supplied by nature. It will always hold. It will be predictable. And anyone can apply it. There will be nothing magic about it. It will not depend upon church or state. Nature has already ordained the process. No man ever invents a principle, he merely discovers it. However, when we introduce ethics, we are now introducing the question of utility. Seeing the moral rule, we will nonetheless invoke our subjective judgment concerning its utility, or its desirability.

Thus, we can see that both schools of thought, the subjective and the authoritative, have something to recommend them. The problem with the subjective school is that it is prone to insist that there is no principle, no morality. Everything is ethics. The problem with the authoritative school is that it has tended to rely upon subjective judgments in finding an authority. Thus, it has insisted on an arbitrarily imposed morality as a result of its ethical (utilitarian) judgments.

Let us see if these positions can be put together realistically. All arguments relating to utility relate to human utility. Every ethical

judgment must relate to the usefulness (desirability) of a given procedure as it affects man. Good and bad can be viewed only in this light.

Principle is not viewed in this light. The principle tells us *how* to boil water; it does not tell us that we should or should not do so. Morality will tell us *how* to behave. Ethics will tell us the usefulness, the utility, of moral behavior, according to individual value judgment.

Man, by his nature, is entirely dependent upon property. Each man controls his own energy, and in that control each man employs some of his energy as a consumer of property. We are not concerned here with whether it is good or bad for a man to depend on property, or what property he should depend on, or how much. It is simply a fact that man depends on property, and to depend on it he must be able to control it for his own consumption and utilization.

Man, by his nature, is also a profit seeker. This is an inherited or instinctive trait which is innate. It applies to all men. Every man, irrespective of creed, color, or condition in life, seeks satisfactions for himself. His satisfactions arise in his relationships with other men and with property.

When a man is frustrated, he is thwarted to some degree in his efforts to obtain satisfaction (profit or gain). A man can be thwarted in two ways: (1) by nature, through storms, disease, pestilence, wild animals, etc., or through the competitive actions of others who, by their nature, seek much the same thing he does and might obtain it first, or exclusively; and (2) by human agency, wherein some men impose their wills on other men in coercive rather than competitive procedures.

When a man is thwarted by nature, the question of morality does not arise. A man may have worked hard to bring in a crop of wheat and the grasshoppers or the drought may thwart him. We do not say that the grasshoppers or the drought are immoral, for we do not view them as human agencies; rather we view them as natural agencies operating in a competitive way with man.

Likewise, the man may have worked hard to bring in a crop of wheat in the hope of obtaining a very high price for his wheat in the

market. Other men, however, also wanting a high price for their wheat, have produced crops too. And it happens that so much wheat has been produced that the price for wheat is lower than any one of the producers of wheat had anticipated. This market situation is not immoral. If it is right and proper for the first man to put in a crop hoping for a high price, it is equally right and proper for any other man, or every other man, to do the same thing in the same hope. The fact that their actions are competitive is not to say that their actions are immoral.

But now a man puts in a crop of wheat and his neighbor, in an effort to obtain a better price for his own wheat, sets fire to the first man's crop. This action is viewed as immoral. In this case, a man trespassed the property boundary of another man. It was not an act of nature.

Moral behavior, for the purpose of this study, is confined to inter-human behavior. We are concerned with man and his dependency upon property. There are, in this sense, only two kinds of relationships: the relationship of a man to another man and the relationship of a man to his own property.

In the first relationship a situation of *equality* pertains, based upon the recognition that both men are members of the same species, for whom the same rules apply and both are seeking satisfactions (profit) in human ways. In the relationship of a man to property, there is only one kind of relationship that has meaning. It is the relationship of *ownership*, and this is one of authority, or of non-equality. The owner is sovereign over the property. His property is not his equal, it is merely an extension of his person. He has dominion over it in the same way that he exercises his will over the control of his own person.

No man has any relationship at all with the property of another man. The moment he is in contact with another man's property, he is really in contact with the other man, for the other man's property is nothing more than an extension of the other man's person.

The only rule that can be discerned as arising from nature is this one: When a man imposes his control on another man's property, he is making the other man his slave to some degree, for he is seeking to substitute his control over the other man in place of the

control that nature has provided the other man over himself. Any such action, wherein the will of a property owner is thwarted by the imposition of the will of a second man in respect to that property (be it his person or other type of property), is classed as immoral. It can only be classed as immoral (a natural principle) if a single predictable result will emerge from this type of procedure. There is such a single predictable result.

Since each human being is seeking satisfactions by the control he exercises over himself and his property, it follows that if the will of another is substituted for his own will in the matter, then he will be deprived of his satisfaction. It is axiomatic that no man is satisfied through any process which makes him the victim of another man's will. Now it is also predictable that the molestor, the aggressor, the victimizer, may be entirely satisfied with his trespass. But the victim is *never* satisfied by becoming a victim.

The hair-splitters will now come forward and contend that there are some men who enjoy (obtain satisfaction from) being victimized. They are sometimes referred to as masochists. The rule still holds. A man who obtains satisfactions through suffering is not being deprived of satisfactions when he is injured. This is his method of obtaining satisfaction. He has not been thwarted.

Thus, if *any* person is thwarted from the satisfactions he seeks, through the imposition of another person, *he is the victim of an immoral act*. It doesn't matter what satisfaction he seeks. His victimization only comes about when he is unable to exercise control over his person and property in the way he wishes to exercise it, because some other person imposes his will in the matter to prevent that satisfaction from occurring.

Now we have a universal rule applicable to all men in all seasons, with which we can predict the reaction that will occur. The victim of an act of aggression will not obtain satisfaction from being that victim. We have, in short, the same type of conclusion that would confront us in the physical sciences. If we heat water in a container, it will boil. That is a predictable reaction. If we trespass the property boundary of an owner against his will, he will react with displeasure. The degree of his displeasure may vary, just as the time it takes for water to boil and the actual degree of heat reached will vary.

It may very well be that the person committing the trespass will value highly his ability to thwart another. But there is no doubt that the victim of trespass will react with displeasure. If our purpose is to maximize human well-being, it is clear we cannot provide for such maximization through a process that leads to predictable displeasure.

And now we must summon the scientific method to assist us.

It will be claimed that the scientific method cannot be applied in a subjective area. And the reaction of a given person to a violation of a property boundary is certainly the product of his mental processes. He *thinks* he has been victimized. This is important, because if he had issued an invitation to another person to cross his property boundary and do whatever it was that was done, he would not have been victimized. The damage ensued because the party crossed his boundary against his wishes and, in consequence, victimized him. So a victim is a victim because he believes himself to be a victim.

But the scientific method is *not* limited. It can be applied whenever a limited number of factors can be isolated, put in a repetitive situation and a standard result ensues. Thus, the scientific method can be invoked if a universal pattern of human *mental* reaction can be discovered.

Such a pattern of universal reaction to a property boundary violation is readily predictable. No human being approves of thinking of himself as a victim. True, some persons can think of themselves as having been victimized when no such victimization occurred. But that changes nothing. Whenever any human being violates the property boundary of another, it is safe to predict that the *belief* (subjective) of the property owner (ownership is also a belief) will be one of disapproval. It follows, therefore, that there is a *natural law* of human nature, that the opinion of a victim will invariably and predictably disapprove of his own victimization. And that provides an *objectively* determined case in which we can predict all human mental reactions with accuracy. Thus, each of us can learn that the violation of another person's property boundary, regardless of justification, is a wrong (immoral) in itself.

Let's put it another way. Any act of theft is an act that entails



molestation of an owner in respect to something he owns. It is, by definition, an immoral act.

A thief now steals \$1.00 from A, \$10 from B, and \$100 from C. In viewing these varying acts of theft, we will unquestionably value each act a little differently. Normally, the thief will value his theft of \$100 higher than he values his theft of \$1.00. Normally, those of us who observe will say that his theft of the \$100 was a more serious and more harmful act than his theft of \$1.00. This is to exercise a value judgment. It is to revert to the area of utility, of opinion, of subjectivity. But there can be no question that, by definition, each act is the same. Each act of theft is of the same genre. Each is immoral. The *fact* of theft doesn't vary.

It is even possible that if the thief takes \$100 from a very wealthy man, but takes \$1.00 from a very poor man, those of us who observe may decide that the theft of \$1.00 was more serious and more harmful than the theft of \$100. But again, there is no doubt that each act of trespassing a property boundary in defiance of the will of the owner was an immoral act, however we rate it on our value scales.

So we are confronted with a double necessity. It is important that we recognize the existence of a moral law where the reaction to its violation is predictable. It is also necessary and important that we develop a scale of values that recognizes moral law so that we voluntarily take the obligation of never, under any circumstances, subtracting from the sum total of human well-being. At that point we will have put objective reality and our subjective value judgment into harmony. We will be dealing with knowledge.

The knowledgeable person will *not* commit a trespass because of two reasons: He will know that the trespass will create displeasure and rob someone of a satisfaction he might otherwise have, and he will also see that if the idea of non-trespass and non-molestation is accepted ethically as binding, in the end this will provide the highest possible satisfaction for himself. He will then see that it is to his own personal advantage to refrain from molesting another in his property, for in the long run he is dependent upon that other person.

As consumers, we act independently and individualistically. But

in order to have what we want to consume, we are dependent upon others in direct ratio as their knowledge and skills differ from our own. In order to maximize our own satisfaction as consumers, we must leave others free to produce what we will want. From the standpoint of our own personal well-being, it is important that we not injure the personal well-being of others.

Thus, to work toward the idea of freedom and a free society does not require a revision or a remolding of human character. You don't have to presume that all men are going to adopt a particular moral view. Rather, you discover that men *must* move toward moral and wise behavior from self interest. And you can rely on man's self-interest, for it is an inherited characteristic that descends even to the instinctoid.

Before we depart from this fundamental question of morality, there is another word that is frequently used in this connection which we should examine. This word is "rights." We speak of human rights or natural rights. What is the meaning intended?

The entire concept of rights relates to the acceptance of the condition of ownership. A person with a right over a property is an owner of the property even if he is not in possession. The word "rights" means that a person who is an owner may do as he pleases with what he owns without asking anyone's permission. He has a *right* (a moral justification) to do as he pleases with himself or anything he owns. When a man finds that he must seek permission concerning what he does with a given property, then conceivably he is not the owner. For the owner does not have to ask permission. We have stated earlier that a man who owns is the *sovereign* decision maker over his property. He can do no wrong with what he owns. He may keep it, destroy it, give it away. It doesn't matter at all, if it is truly his. Whatever he does with what is truly his, his action is moral.

We may, in the use of our property, grant privileges to others so that they may also use our property. But they have no ultimate right in that property. They only have a privilege which we have granted.

Often people who have difficulty with abstract ideas cannot see that there are such things as rights. If you have difficulty, ask

yourself this question: Is there anything that any man may rightfully do without asking permission of another? If there is such an action that can be rightfully taken, that is a *right*. It will invariably relate to the control the individual may exercise over himself or over his properties, which are merely the extensions of himself.

Also, you might ask this: If I have to ask permission of another before I can do as I please with myself or my property, where did this other person get the right to grant me permission over myself or what is mine?

Sometimes we run across ideas which suggest that people who believe in private capitalism or private property are trying to say that "property rights are more important than human rights." The fact is that all rights inhere in the human being. Property has no rights at all. The person who insists that human rights are greater than property rights is invariably seeking to argue that the man "in need" has some kind of right over the property of another man.

Prior to the eighteenth century, nearly everyone accepted the idea that all rights resided in God and that God passed them on to a king who was God's chosen representative on earth. The king had "divine" rights and no one else had any rights at all. Thus, the king was sovereign over all persons and all property in his realm, and if you were not the king, you survived only by sufferance. You lived because the king granted you the privilege. Any time he pleased, he could take back that privilege.

Although we don't have nearly as many kings sitting on thrones as we used to have, the idea that the government is a repository of rights still persists. From this idea grows the notion that the government can seize any property it wishes, or the services of any human being, or even the life of any human being. The individual has only those rights which the government is pleased to grant, or pleased to let him retain.

We have tended to discard the idea of the divine right of kings, but we have never universally accepted the idea that all men have equal rights simply because they are men. Today, we seem to feel that majorities have rights over minorities. The voice of the people (in an election) has become the voice of God. *Vox populi, vox Dei*.

The Declaration of Independence set down the concept that

became characteristic of our early efforts on these shores as a separate people. In the Declaration we are told that *all* men (not just kings or politicians) have certain equal and inalienable rights; that among them are life, liberty, and the pursuit of happiness.

What was clearly intended was the awakening of the recognition that governments were man-made agencies and not the product of divine wisdom. Further, that governments only had *just* powers *if* the individuals to be governed granted permission to the government to govern them. Indeed, the Declaration sets it forth clearly that the only real function of the government is to preserve the natural human rights all of us have.

A right is not viewed, then, as a guaranteed function. But it is inalienable. Thus, if a man is very ill and his disease is such that he will die within a few hours, we nonetheless would contend that he has a *right* to life. We aren't saying that he is guaranteed life. We are simply saying that he is morally justified in living if he can.

If a man can lose his life, how can we say that his right to life is inalienable? This is a very abstract and sophisticated level of thinking and you may have to stand on your mental tiptoes. Although a man might lose his life, he cannot lose his *right* to life. One man can kill another man, but he cannot alienate the other man's *right* to life although he might alienate that life. This is to suggest that the taking of the property of life is always wrong. That property is not yours and it cannot be yours. You can rob a man of his life, but you never acquire it. It cannot be transferred to you. If one man kills another, the killer does not acquire the life that he took. He has a right to only one life. He never lives two lives. Rights cannot be lost or accumulated. The things to which we have rights can be lost or accumulated, but the rights themselves are inalienable. The fact that a right cannot be alienated is implicit in the idea of *equal rights*. For if rights could ever be lost, or if some people could obtain rights over others, it would mean that equality of rights is impossible. Some would have more than others, and some would have none. That would mean an inequality of rights.

There are many people who profess to believe in rights being both equal and inalienable, who make exceptions. They will argue that if a man performs an immoral act, he forfeits his rights. And

this, they further contend, means that the victim of the immoral act now has rights over the person who committed the immoral act. If this were true, then rights would not emerge as a result of the *nature of man*, but only as a result of *man's conduct*. This really is going back to the idea that the government has all the rights and individuals have only those rights that they can keep by virtue of their obedience to the government (those in power).

Rights are seen to exist at two levels. The owner of a property has a right to do what he will with his own property. This includes his person. Obviously, he has no right to impose his property on another, for the other is not his property. His rights go only to his boundaries. Beyond his boundaries he does not have rights. But since all men have equal rights, each man may do as he pleases within his own boundaries. If he wishes to cross a boundary of another, he moves to the relationship of privilege, not of right, and he must obtain permission. He may only do rightfully, what the owner of the property permits.

If we accept this concept of rights, let us see where our reasoning goes. Let us assume that the following is a true statement:

*Each man has a right to his own life.* This means that he has a right (a moral justification) to live if he wishes to live, and he does not have to ask permission of anyone. Since rights are equal, it means that he cannot live rightfully by imposing his will upon the life of another who has exactly the same rights as he. It would follow as a logical deduction that:

*Each man has a right to sustain his life.* This would be true since life always occurs in space and time. Life is not an instantaneous affair. It exists through time and in space. If you have a right to live at a given instant, you would have a right to prolong that instant as best you could, without, of course, imposing on the equal rights of others. This would mean that:

*Each man has a right to own property.* The only way man can live is by using property. He is completely dependent on it. And that means that:

*Each man has a right to consume what he owns.* He would not have a right to consume what another owned. But the only way he can sustain his life (which he has a right to do) is by consuming his

own property. It would follow that:

*Each man has a right not to consume.* This means only that a man may not only consume *whatever* he owns, he may consume *whenever* it pleases him. To refrain from consuming is only to postpone the ultimate decision over a property. Another word for it is *saving*. A man has a right to save what he owns. And this would mean that:

*Each man has a right to invest what he owns.* He might elect not to consume and not to save; rather, he might elect to try to use something he owns to produce something else which he will also own. A man owns a field in which he plants wheat. At the end of the harvest season he has twenty-five bushels of wheat. He has a *right* to harvest the wheat, to grind up some of the wheat for flour, to put some wheat aside for future decision making, and to take the balance of the wheat and replant his field so that he can have another harvest later on. This can only mean that:

*Each man has a right to be a private capitalist.* All that we have described here is the rightful (no permission is necessary) procedure whereby a man can support himself at his own expense to his own benefit. Private capitalism simply means that a man may rightfully own productive property (a field, a plow, wheat) and employ it to produce more goods or more property. That is what capitalism is all about.

The right to be a capitalist is predicated upon the concept of the right to life. If you seek to refute this concept, you will have to come finally to the conclusion that men live only by permission of the state and may have only what the state says they may have, or may do only as the state says they may. This would mean that men could not be free. Indeed, it would mean that men would have to stop being what they are: decision makers; thus relegating this function to other men who really have no more rights than they do.

**PART TWO:**

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**MAN  
&  
MARKETS**





## Chapter 8

# Value

In discussing the nature of man we learned that all men act in an effort to remove their sense of uneasiness. Put another way, all men act in an effort to improve their situation, to make a profit of some kind.

The reason men act at all is that they ascribe a value to every object, person, or relationship which seems likely to affect them (desirably or undesirably); they act in an effort to maximize their profits. In other words, men act to obtain a plus factor. They want either to prevent a loss or to make a gain.

Economics is very largely the study of human action in the market. And all human action in the market occurs because of each man's value system.

It used to be said by some economists that economics was the study of scarce goods and services, and their production and allocation in the market. But now we realize that the scarce goods and services, although admittedly valuable and absolutely necessary, are nonetheless subordinate to the evaluation processes each of us uses. If economics concerned itself exclusively with the allocation of scarce resources, we would not need a science of economics. All we would need would be the science of mathematics and a good set of books. Then some dictator could simply allocate the scarce resources and possibly assign all the scarce human energy and raw materials necessary for production.

The factors that make an economic science both possible and

necessary are man's value system, private ownership, and the ability to make sovereign decisions. When we see that men are engaged constantly, throughout their lives, in the processes of exchange, wherein they trade something of value they happen to have (time, energy, money, goods) for something else which at the moment they value more highly (the plus factor), then we can begin to grasp the significance of the study of economics. Also, when we see that the processes by which these exchanges are made are based on choices wherein individuals are, and must be, in a position to make sovereign, undisputed, final decisions over their own resources, then we see how important private ownership is. Also we see how important human liberty is, for without it we would not be able to make meaningful decisions over our own lives or properties.

In studying basic principles and epistemology we discussed two philosophic orders, namely the objective and the subjective. In this chapter we will be using the terms again, but in a different application.

To pursue the subject of *value* we must discuss two general theories dealing with the nature of value. They are:

- (1) The labor theory of value, sometimes referred to as the "objective theory of value." Here the term "objective" is used to imply that the method employed is precise and finite, and not subject to various interpretations.
- (2) The market theory of value, also referred to as the "subjective theory of value."

The labor theory takes its life from John Locke who advanced the labor theory of ownership in the second of his *Two Treatises on Government*, published in 1689. Locke stated that ownership derived from the mixing of one's energy with the soil. This thought was picked up by Adam Smith in *An Inquiry into the Nature and Causes of the Wealth of Nations*, originally published in 1776. Smith's presumption here is that if ownership derives from human energy applied to property, then it must follow that the value of the resulting product would be determined by the amount of human

energy expended. Value, then, would be directly linked to labor; the higher the labor cost, the greater the value. Smith's development of the labor theory of value was supported by such men as Jeremy Bentham in *An Introduction to the Principles of Morals and Legislation*, published in 1789.

Let us examine the two theories of value.

You wish to have a desk constructed. The plans have been drawn, the specifications precisely set down as to size, material, finish, etc. You approach an individual who has the reputation of being a good cabinetmaker and ask if he will construct the desk to your requirements. He agrees and quotes a price of \$400 for the finished product. When the desk is completed, you pay the man the agreed-upon price of \$400. At this point Smith and the other economists have been fully satisfied. The labor involved in the desk has been paid for in full. The cost of the desk was \$400, the price was \$400, and the desk's objective value was set at \$400.

Now let's take the example one step further. Say you keep the desk for a short time and decide you no longer want it. Someone offers to buy it and you sell it to him for \$500. Now you are frowned upon by the labor theorists. You have profited by \$100. Remember, the desk has an "objective" value of \$400 as a result of the labor expended. The \$100 is in excess of that amount and is deemed to be a "surplus value." Some would hold that the worker has been deprived of \$100 of his just wage. He has been "exploited." Every dollar of profit is an unpaid wage, according to this view. (Union leaders also have employed this phrase in seeking a "just" wage.)

On the other hand, if you—as the purchaser of the desk—were to sell it at a loss, this would be treated somewhat lightly. You would suffer financially, and it would be regrettable.

So, you see, under the labor theory of value, the cost of production, the selling price, and the value are all one and the same.

Now let us examine the market theory of value, or the subjective theory. The theory of subjective value is an outgrowth of an earlier theory of marginal utility. Separate studies, independent of each other, examined the concept of marginal utility and determined

that persons tended to value everything comparatively and not absolutely. A person seeing a display of a dozen hats, all equal in price and appearance, might purchase one. If a second hat were offered at a slightly lower price, he might buy that also. He probably would not value any more hats at all after he failed to win additional discounts. After our hat buyer reached half a dozen, the likelihood is that he would refuse to value any more even with discounts, and hence would stop buying hats at any price. Karl Menger, the Austrian economist, has frequently been credited as the sole pioneer of these ideas. While this claim cannot be substantiated, the Austrian school of economics more than any other body of economic wisdom in the mid-nineteenth century found extraordinary significance in it. The subjective value theory which derives from marginal utility provided the most telling argument and demonstration offsetting the labor theory of value which Karl Marx had very largely made his own.

The market theory of value holds that value is subjective. That is, value is a human summation of what an item is worth to a purchaser. This evaluation is always relative in respect to the extent and the intensity of the desire, the financial ability, and the available alternatives of the purchaser.

The purchaser is essentially distinterested in what the item he buys costs to produce. He thinks in terms of his own satisfactions, not in terms of satisfactions to producers or distributors or investors. So, according to the market theory, value is never fixed—as opposed to the labor theory, wherein value is objective and set by the cost of production. To illustrate the application of the two theories of value, consider the following examples.

John Jones, in hopes of finding oil, selects a location and proceeds with drilling operations. He drills to a depth of 1,000 feet and at that point becomes convinced that he will get nothing but a deeper hole if he continues. His cost of drilling was \$1,000 per foot so the cost to him for drilling a 1,000-foot hole was \$1,000,000. After giving up at this location, Jones proceeds about a mile up the road and starts a second drilling attempt. This time he drills to a depth of 100 feet and the oil comes gushing out of the ground. Assuming the second drilling cost the same per foot as the first

attempt, the second hole cost only \$100,000. So here we have a hole 1,000 feet deep costing \$1,000,000 and a hole 100 feet deep costing \$100,000. Obviously, less labor went into sinking the second hole. The labor theory of value would hold that the 100-foot hole is worth less than the 1,000-foot hole.

Or imagine this situation: Some enterprising genius discovers a way to manufacture yachts by an extrusion process, which makes the cost of a yacht so small that they can be purchased in quantity lots for as little as \$1,000 each. A second individual discovers a way to make elaborate igloos of ice and snow, completely equipped with air conditioning, which cost \$10,000 each because of all the hand labor which must be utilized in the construction. In the Marxian catalogue, the igloo would have ten times as much value as the yacht, regardless of the fact that many people would like to buy the yacht and there are virtually no buyers for the igloo.

There is really no relationship between costs, prices, and value. Cost relates to production. It is the expense incurred in the process of reaching an end product. Price is what a buyer pays for a good or service. It isn't what the seller hopes or attempts to receive, nor is it the amount the buyer attempts to purchase something for; it is the actual amount at which the exchange occurs. *A* is a producer and has had a cost expense of ninety cents to make a widget. He hopes to sell it for \$1.00. *B* is a consumer. He is interested in purchasing a widget. He will not pay \$1.00 to *A*. In order to sell his widget, *A* may reduce his asking price to ninety-five cents or ninety cents or even eighty cents. Whatever figure *A* and *B* agree to exchange at, becomes the price. The price may finally be above *A*'s cost of ninety cents, but it may also be below. The amount that *A* and *B* finally exchange at is determined by their individual values at the moment of exchange.

Each of us is constantly involved in making value decisions. Our value scale can be likened to a thermometer. The degree of intensity with which we seek to satisfy our various desires is constantly changing. In the morning, some people have a very high desire for orange juice, some for coffee, some for a cigarette. At that particular moment an individual may prefer a cigarette to a ten-course champagne dinner. However, later in the day if the same choice were offered he would probably choose the dinner.

We tend to try to satisfy our desires by the degree of intensity and scarcity in which we, as individuals, view them. We will seek to satisfy our scarcities by giving up some of our surpluses.

What is a scarcity and what is a surplus? These are constantly varying for every person. As we acquire things, or satisfy certain desires, we devalue further acquisitions of the same character. A man may want one home, one automobile, one hat, or one walking stick. Another may want two homes, three cars, no hats, and no walking sticks. If you were to eat breakfast in a restaurant and received a great deal of satisfaction from it, would you then order a second breakfast, and a third, and a fourth? Of course not. While you may consider breakfast number one a real value at the price of a dollar, the thought of consuming four of the same one after another may make you ill.

We are always seeking to satisfy our relative scarcities by relinquishing some of our relative surpluses. These values prompt us to enter the marketplace and attempt exchanges.

Men exchange money for goods and services only when a *plus factor* appears. This plus factor is referred to as profit. Exchanges occur only when the seller wants a sum of money more than he wants his product, and when the buyer wants the product more than he wants a sum of money. It is the "more than" factor that induces exchange. A seller offering a hat for sale at \$50 is saying, in effect, "I have more hats than I have \$50 bills. I would rather have one less hat and one more \$50 bill." The purchaser of the hat is saying, in effect, "I have more \$50 bills than I have hats. I would rather have one less \$50 bill and one more hat."

This is an illustration of economic profit. Economic profit may exist even where dollar losses occur. It is economically profitable for Jones to exchange  $x$  and  $y$  if he values  $y$  more than he does  $x$ . As far as he is concerned, he is better off after the trade than he was before.

To illustrate: Brown buys a home for \$250,000. After one year he elects to sell it for \$200,000. If the decision is a voluntary one, then we can say that Brown would profit economically from the sale of his houses while experiencing a \$50,000 monetary loss.

Obviously, production and distribution will not long continue

where dollar profits do not exist. But often it is more profitable for a man (even dollar-wise) to accept a given loss so that he can free his dollars to make future profits elsewhere.

In a free market, which assumes voluntarism on both sides of an exchange, both sides profit. This means that no one is ever compelled to trade anything until, in his judgment (however faulty) he will *profit* by the exchange. The labor theory presumes that if one side profits, the other side loses. This is false. If exchanges are voluntary, no one will voluntarily accept a real loss in terms of his ultimate objectives.

We effect exchanges or make purchases to gain a profit. In fact, the items we purchase are often not what we really want. What we really want is the satisfaction we hope to gain from the use of the items. Men buy razor blades. Why? Because they like the looks of them? Because they are impressed with the quality of the steel? No. They buy them because they anticipate the effect of a clean-shaven face. We buy gasoline because it enables us to enjoy the convenience, comfort, and utility of an automobile. We would just as soon pour water or sand in the tank, if we would achieve the same performance.

Advertising rarely tells you about the intrinsic qualities of a product, unless this enhances your sense of satisfaction as a potential owner. It seeks, rather, to stimulate your sense of satisfaction.

Some people appear to value money. They don't really. What they value are the things they can do with money. They look forward to the satisfactions they will obtain when they exchange their money for goods and services. The value mechanism is characteristically individualistic and wholly subjective.

The state acts in an attempt to regulate values. But values cannot be regulated because they are relative; they are dependent upon subjective human evaluation. Individuals who do not understand the market injure themselves by asking the state to intervene.

There are only two ways for men to organize and produce. One is by coercion and the other is by mutual consent (voluntarism). The governmental method is coercive. The marketplace method is voluntary. The government and the market are opposites. When

government stops using coercion, it stops being government. When the market stops being voluntary, it stops being a market.

The governmental method has produced all the wars, all the taxation, and most of the viciousness that the human race has experienced. The marketplace method has provided mankind with most of the food, clothing, shelter, comforts, inventions, improvements, art forms, music, cathedrals, etc. Which method does man employ to achieve his values?

It appears that he has consistently relied on the governmental process. Worse, he goes to government and demands that anyone whose value judgments are different from his should be punished.

Bear in mind that all exchanges are really calculated in terms of ultimate satisfaction. Dollars, although we often think we are measuring values with them, do not measure value. Some exchanges do not even require translation into terms of money. Affection, attention, the relationships we enjoy with our loved ones and close friends, give us psychic satisfaction and certainly cannot be judged in a pecuniary manner.



## Chapter 9

# Introduction to Economics

Some economists insist on defining economics as “the allocation of scarce resources.” This definition implies that all we need concern ourselves with is the observation and study of the flow of natural resources, human energy, finished products, and the like. If we were interested only in the “allocation” of resources, then all we need to do is to appoint a dictator over the marketplace, and allow him to “allocate” resources according to his whims. This would be “economics.” Scarce resources do concern us in all economic inquiry. We are concerned with allocation, but before that with discovery, control and production, and finally with consumption.

A more accurate and meaningful way to examine this subject is from the point of view *not* of resources, but of persons. The appropriate question is not, “What happens to resources and finished goods in the market?” but, rather, “How do men act while engaged in the production and exchange of goods and services?” Our concern, then, will not be “logistics,” but, as Ludwig von Mises has described it, “human action” in the marketplace.

The understanding of economics has been greatly enhanced by a formula developed a number of years ago by the American Economic Foundation. This formula describes the *processes* that

are involved in the production of *any* goods and services. It is as follows:

$$\text{MMW} = \text{NR} + \text{HE} \times \text{T}$$

That is to say, Man's Material Well-being (MMW) equals, or is the sum of, Natural Resources (NR) plus Human Energy (HE) multiplied by Tools (T).

*Natural resources* consist of those materials that exist in nature and which, by definition, are not man-made. Everything that man produces comes from natural resources. Man cannot live without them, nor can he yet produce these resources in their natural state. He can only work with them to produce other things. Natural resources may be anything existing within nature, such as trees, minerals, water, air, stone, animals, metals, and the like.

*Human energy* is what man adds to the equation in order to transform natural resources into other forms for his use. Human energy can be broken down into two categories: (1) muscular energy and (2) mental energy.

Man is, physically speaking, a highly unspecialized creature. Unlike other forms of life, man cannot rely upon his biological makeup to sustain his life. He cannot grow himself a fur coat to protect himself from the cold, nor cut down trees with his teeth, nor is he able to outrun game animals or see great distances. Man is able to employ a limited degree of muscular energy to aid him in his survival—the appposable thumb and his ability to stand erect are two physical traits which have been of great service to man—but in order to account for the great success man has had in surviving we must look for another attribute.

That attribute is man's mental energy. The factor that most clearly distinguishes man from other forms of life is that he relies upon a rational (as opposed to instinctive) faculty. Man is able to specifically identify problems and propose specific solutions to those problems.

With this ability, man has been able to devise tools which have been used to augment his human energy. It is the consequence of

man's mental capacities—tool-making—that has permitted him to do what other forms of life have not been able to do, namely, to produce more and better goods and services than prior generations enjoyed. While birds, beavers, and other animals will produce nests, dams, and so on, they continue to do so in the same fashion as their ancestors thousands of years ago. Men have always been able to produce things which even their fathers were not able to do.

*Tools* are, then, the key factor in our equation (recognizing, of course, that it is man's mind that has conceived the tool). A tool is nothing more than a device which permits us to produce or obtain something we want in greater quantities and with an expenditure of less time and energy.

Tool-making is important for one reason: it enables us to multiply our total output. Suppose, for example, an individual finds himself in a very primitive situation. He is in the middle of a forest with absolutely no tools at his disposal. The man is hungry. He knows that there are berry bushes in the area. Let us assume that he is able to pick one quart of berries per hour. Without the aid of a tool, this man will be able to increase his production only in arithmetic units. In one hour, he can pick one quart; in two hours, two quarts; in five hours, five quarts, and so on. If the man wanted, let us say, six quarts of berries per day, he would have to plan on spending six hours at this task.

Now, however, let us introduce the element of a tool. Let us put in this man's hands a long stick which he can use to knock berries down off the bushes. Now the man will be able to obtain three quarts of berries per hour, meaning that if he now spends six hours per day hunting berries, he can obtain eighteen quarts instead of the six that he could get without the tool. It is in this fashion that tools multiply our productive capacity.

But where do tools come from? Why do some men continue to live, even today, in very primitive situations with virtually no tools, while other men have structured economies predominantly on tools? If tools increase our productive capacity, what are the factors that lead to the development of tools?

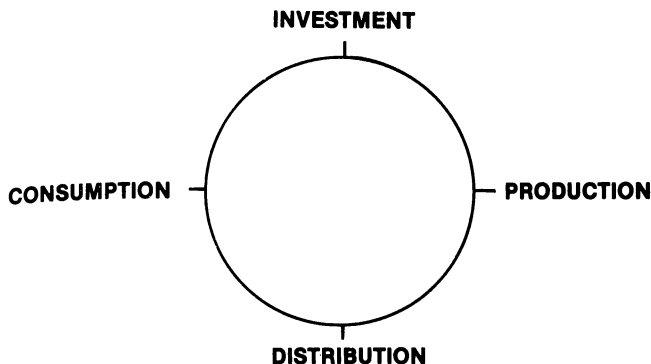
Let us go back to the example of the primitive. As long as this man was satisfied with the quantity of berries he could obtain using

only his human energy (one quart per hour), he would continue to employ this means. When he is no longer satisfied with this economic standard, he will seek to improve upon it. He may do so in this way. He will sit down and think about his problem (more food) and, at the same time, think about specific alternatives for getting more food. He will then conceptualize a tool. He will think about the stick, let us suppose, and visualize how this stick could be used to obtain more berries. If he decided he wants this stick badly enough, he will then go about finding a tree branch that can be fashioned into a stick. He finds such a branch, tears off the leaves, bark, and twigs, and soon he has himself a "tool."

What this man has done, in other words, is this: he has made an "investment." An investment involves the forgoing of an immediate act of consumption in order to provide a device which, it is anticipated, will lead to a greater amount of consumption in the future. When our primitive friend decided to visualize and then fashion a stick, he gave up a certain amount of consumption. When he was working on the stick he could not be eating berries, or resting in the sun, or enjoying any other act of consumption. Why would he give up this consumption? For only one reason: the anticipation that he could, as a result of creating this tool, have a greater amount of consumption in the future. With the stick, he can now have a greater quantity of berries to eat, or, since it takes him less time to gather berries, have more time available to him for resting in the sun.

What we are really talking about here is what we know as the "allocation cycle." An allocation cycle involves the production of those goods and services which each of us wants in order to satisfy our desires. Because of the fact that we all want more and better goods and services, tools must be created in order to provide for this increased production.

Once we have the tool, the good or service is then produced with it. After production, the good or service is then distributed in the market in order that it may be exchanged with the ultimate consumer. This process—the allocation cycle—may be diagrammed thus:



It should be readily seen that if we want to increase our standard of living by increasing the quantities of goods and services that are available to us, we must not tamper with, but seek to encourage, the allocation cycle. If we have few allocation cycles, our production will be limited. If, on the other hand, we can develop a great number of allocation cycles, our production will increase accordingly. In order to understand how to encourage the allocation cycle and to increase production, we must first understand what it is that starts the cycle.

It has been supposed by many economists that the allocation cycle is begun by consumer demand. "Because men want certain things, this causes those things to be produced." This follows, pretty much, the old—and invalid—axiom that "necessity is the mother of invention." This is an incorrect assumption.

If consumer demand were the key factor here, we should expect to see the greatest amount of productive activity going on in the parts of the world where consumer demand is the greatest: India, China, Africa, Central and South America, for example. Here are men and women living on the very brink of starvation, and yet their obvious "demands" have not caused allocation cycles to proliferate. "Demand," standing alone, creates nothing. You can stand out on a street corner and "demand" and "demand" all day long: this does not assure you that your "demands" will be met.

No, an allocation cycle begins *not* with consumer demand, but with an act of investment. Only when a businessman anticipates

that he can profitably satisfy that demand will he take the *first* step: to invest his time, money, and energy in the tools that can create the production to satisfy the demand.

It is true, of course, that the investment will be made only in anticipation that consumer demand for the product will be there, but as far as starting an allocation cycle is concerned, it is the willingness to invest, not the demand of the consumer, that gets the productive process moving. Without the investment, the demand will go unsatisfied.

What are the factors that cause a person to want to invest? Why do some men choose to set aside a portion of their money for investment purposes, while other men might simply use such money for consumptive purposes? The answer lies in an examination of men's values. If we can go back to the four basic drives that were outlined earlier, we find that men who value investment tend to be motivated by a desire to promote gains and a desire for self-approval. Clearly, the amount of money one has at one's disposal is not the determining factor, as there have been many men who would use their last dollar in an effort to make a successful investment, while many wealthy individuals have dissipated their assets in purely consumptive activities.

The drive toward investment occurs when a man interprets his advantages as follows: "I would rather have less now, so that I may have more tomorrow." This is the reverse of the drive which causes a man to seek credit for consumer items. A man seeking credit in order to obtain some particular good or service is actually saying, "I would rather have what I want now, even though I'll have to pay a higher price in the future (interest) in order to obtain it."

Most of us vacillate between wanting to enjoy every good thing right now and wanting to enjoy even more good things in the future. Investments may make the present uncertain, but they secure the future. They encourage the allocation cycle. Borrowing for consumer items may make the present rosy, but it makes the future uncertain. Also, such actions do not encourage the allocation cycle.

The attributes of the investor and non-investor are well summarized in the following paragraph:

“Yet these habits and values with their emphasis on saving, investment, and efficient work were far from usual in the rest of the world. While every society has ‘saved’ part of its income, the ends for which income is saved or spent have taken many forms. The Tibetans, for example, although miserably poor, invested hundreds of thousands of hours of their labor in weaving the largest banner in the world to hang on an outer wall of the Portala, the Dalai Lama’s residence in Lhasa. In general, static class-bound agricultural societies showed little tendency to invest in tools for further production, except for the amounts necessary to keep existing equipment in repair. The rich of many nations of Asia, Africa, and South America preferred to spend their income in London or Paris rather than to save for investment at home. The people of these countries viewed work as a necessary evil and would have found it hard to understand Henry Ford’s belief that ‘thinking men know that work is the salvation of the race, morally, physically, socially. Work does more than get us our living; it gets us our life.’ ” (Thomas C. Cochran, *The American Business System, 1900-1955*, Harvard University Press, 1960, p.6)

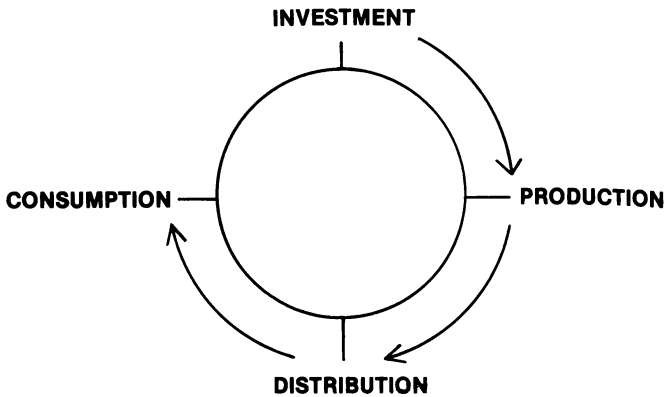
Since investment is the critical point in the allocation cycle—without it there will be no allocation cycle and hence no highly-developed economy—we must concern ourselves with making certain we do nothing to *discourage* this essential activity. More on this later.

Once the investment has been made, the flow of goods and services begins to move clockwise around this allocation circle.

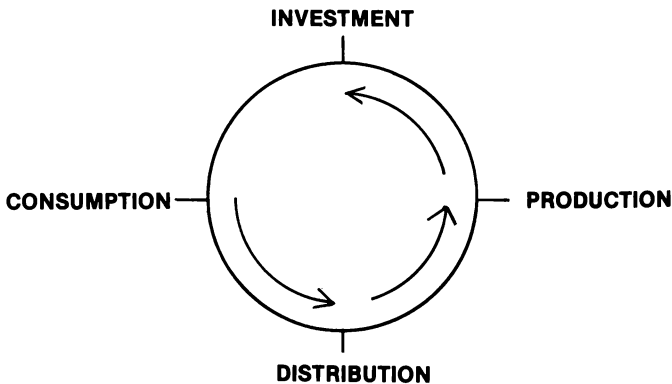
That is to say, we witness the flow of tools, raw materials, human energy, and other related services moving into the area of production.

In the production sphere, these factors are combined into the production of whatever it is the object of investment to produce—let us say, refrigerators. Once the refrigerators are produced, they in turn continue the clockwise flow to the point of distribution. That is, they are transported to the market and put into the hands of wholesalers who, in turn, put them into the retail outlets where, it is hoped, they will be sold to the consumer.

When the original investment was made, it was only in



anticipation that consumers would be willing to purchase the finished product at a price that would return a satisfactory profit to the investor. When the consumer does purchase the product—the refrigerator—the clockwise flow is completed. With the sale consummated, we now witness a counterclockwise flow of dollars back through the market.



Only when the consumer purchases the refrigerator and starts this flow of dollars back into the market do we have the justification for the acts of investment, production, and distribution that preceded the purchase. If consumers do *not* purchase the refrigerators, the original investment was not economically justified. But when dollars begin their flow from the consumer, they go back into the market to pay the costs of the



retailer and the wholesaler, the transportation costs, the labor costs, the cost of raw materials, insurance, electricity, and the other related costs of production, *and* the cost of the return to the investor. The costs of doing business, in other words, are justified only when the consumer acknowledges his value of the finished product by purchasing it.

At this point, let us examine these “costs of doing business,” to see just what is entailed in any business activity. These costs can be broken down as follows:

- (1) The cost of goods and services provided by others.
- (2) The cost of replacing tools.
- (3) Involuntary, non-productive costs.
- (4) The cost of human energy.
- (5) The cost of using tools (profit).

*Cost of goods and services.* Included here are such costs as raw materials, utilities, insurance, transportation, etc.

*Cost of replacing tools.* Here are such costs as maintenance, replacement of tools, research and development, etc.

*Involuntary, non-productive costs.* These costs include the expenses imposed by government, such as taxes, license fees, and the like. Also included are the costs of employee theft, vandalism, etc.

*Cost of human energy.* These costs include wages, salaries, commissions, bonuses, etc.

*Cost of using tools.* This is what many economists have referred to as the “basic” cost of doing business. When a man invests in a business, he is providing for the tools of production, without which none of the other costs would even be incurred. The investor puts his money into an enterprise only in anticipation that *this* cost will be met.

It is interesting to point out that, whereas all of the other costs are predetermined (wages, replacement costs, raw materials, insurance premiums, tax rates, etc.), the “cost of using tools” is *not*. The investor does not obtain a promise in advance for any fixed return on his investment. In fact if he does, he is no longer considered an “investor,” but a “creditor” (bond-holder, e.g.).

Thus, to suppose that there can be any such thing as “excess profits” is an absurdity. Excess over *what*? If a man agrees to work for \$12.00 per hour and is paid \$15.00 per hour, we can speak of him receiving an “excess” over the amount agreed upon. But what of a man who has made an investment without an agreed-upon rate of return? If his investment proves worthless, he will end with nothing; if highly successful, he may earn 200 percent on his investment. He may also earn any sum in between. At what point can it be demonstrated that an amount of profit is “excess?”

As was pointed out above, to encourage increased economic production, we should take no action which will discourage investment. Since investment is made on the basis of anticipated return, as the return is lessened, so too is the motivation to invest.

One of the costs of doing business, however—the cost of government—has the effect of decreasing the incentive to invest. In order to get the revenues to operate the machinery of government, taxes are imposed. These taxes can only come from the marketplace, and are imposed at various places within the allocation cycle.

One of the most popular taxes—from the point of view of the government—is a tax imposed at the point of production: an income tax. This form of taxation can be imposed upon literally millions of persons at the point at which they are earning money. A man who earns, let us say, \$12,000 may have \$1,000 taken out in taxes, giving him “take-home” pay of \$11,000. The tendency of most people is to think in terms of their “after-taxes” income and they don’t even miss the money taken out through the withholding feature of the income tax. Thus, the government is able to extract an enormous sum of money from each of many millions of persons. At the same time, the government can impose upon the employer the task of collecting this tax.

Another often-used tax is the sales tax, imposed at the point in the allocation cycle where economic exchanges occur. Just as with the income tax, the sales tax permits the government to impose a tax upon millions and millions of people who involve themselves in hundreds of millions of transactions yearly. This tax is imposed at a time when people have already decided to give up a portion of their

money in exchange for something else, and consequently the tendency for most people is to conclude that "an extra ten cents won't hurt."

Included within the concept of a sales tax are excise taxes, amusement taxes, gasoline, liquor, and cigarette taxes, customs duties, and the like. And, as with the income tax, the businessman is required to collect the tax and turn it over to the government.

Taxes are also imposed at the "distribution" point in the allocation cycle, one of the most significant being the "inventory tax." A tax is imposed upon businessmen for their stock in trade which they keep in inventory.

While these taxes provide government with a vast sum of money, they do not suffice in covering the costs of government. As a result, governments also move into the investment area and impose capital gains taxes, corporate income taxes, excess profits taxes, accumulated earnings taxes, and the like. When the government thus attacks investments, the net return of profit to the investor is reduced, thus lessening his tendency to invest.

Suppose, for example, that a man is willing to invest \$10,000 in a given enterprise if he is reasonably certain he will get back (including his original investment) \$11,000. Now, assume the outlook is such that this investment may return even more. At this point, the investment will probably be made. But if this man knows the government will impose certain taxes on these earnings so that his return will not be \$11,000, but only \$10,500, he may not make the investment.

As was discussed above, many economists take the view that the allocation cycle can be encouraged by increasing consumer demand. "Thus," it is argued, "the government should put more spending power into the hands of consumers." But putting more spending power into the hands of consumers won't necessarily put more dollar returns into the hands of investors. If the increased consumer activity occurs in the face of rising prices and rising taxation, the investor, who is at the end of the counterclockwise flow of dollars back into the market, may get no increase at all. If his investments cannot be made more profitable, there is no incentive for him to make additional investments. Instead of

saying, "I will accept less now so that I can have more tomorrow," he will say, "Why should I invest now and thus accept less than I can afford, when by investing I may not have more tomorrow? Perhaps I had better not invest. That way, I can at least have what I can afford today."

Providing increased spending power for consumers may have some advantages. But the question must be asked: "Where will this increased spending power come from?" The answer will often be, "The government should provide this money out of its tax revenues." However, it will be clearly seen upon examination that since the government is taking this money out of the market, it adds nothing to the market when it simply puts that money back into the market. To take \$100 from *A* to give to *B* will certainly benefit *B*, but only to the same extent that it hurts *A*. As far as the amount of spendable income is concerned, the economy ends right where it began.

This approach to stimulating the allocation cycle does, of course, totally ignore the dynamics of market activity. As we have seen, the growth and development of an economy are dependent upon the willingness of men to invest. Our lives depend upon the production of goods and services, and we can have only as high a standard of living as our level of investment will provide. Consequently, if we want to maximize our material well-being, we must be cognizant of those factors which encourage and those that discourage the process from whence this comes.

## Chapter 10

# The Industrial Revolution

The menace of socialism, the communist conspiracy, the terror of fascism; all are cries that have been with us for many years. Those who expend their energies in the effort of furthering capitalism are ever mindful of the battle to be fought. It is shocking to many who are concerned in this area to learn that the fight between socialism and capitalism has long been over. To the shock of this statement, a surprise is added. The argument over which of these two economic systems is superior and most productive has been decided in favor of—capitalism!

There is no room for doubt. Even purebred socialists recognize that to maximize production, investments must occur to provide the tools and capital necessary for continued production of wealth. Within capitalism, the accepted superior economic system, the question now being debated is, “Shall we have a system of private capitalism, government capitalism, or mixed capitalism?”

Capitalism relates to the process of putting savings to work. All tools come from savings. The existence of any tool that multiplies human energy reveals the existence of some measure of capitalism.

The real question of our time relates to the ownership of property, particularly productive property. *Who* is to own *how much* of *what*? Who is to own the stone axes that multiply human

effectiveness in the hunt? Who is to own the factories, the houses, the automobiles, the mines, the fields, the uranium, the various products made by human ingenuity? We are no longer concerned with whether or not investment in the tools of production (capitalism) is to be employed. The question before us relates to private capitalism vs. state capitalism. That is, will the tools of production be privately owned and managed, or will they be collectively (governmentally) owned and managed? You might even ask the question this way: Do you prefer competing (private) capitalism or monopoly (socialist) capitalism?

State capitalists are those who today are termed socialists, and correctly so. These people object to private capitalism on many grounds, including:

1. An objection to profits because some seem to benefit more than others.
2. A fear of monopoly, because it is imagined that without governmental interference one man would ultimately own everything.
3. A contention that businessmen and industrialists are cruel and greedy.
4. The argument that the Industrial Revolution proved conclusively that when a kind of laissez-faire system obtains, unemployment results, human exploitation occurs, and men are degraded.
5. The argument that when private capitalism existed to a great degree in this country, it led into what is called "the Age of the Robber Barons."
6. The contention that when we had our free economy, following World War I, a monstrous depression appeared which was only cured by massive intervention by the state.
7. In contradistinction, the contention that when government owns the tools of production and distribution, all these evils can be escaped. Therefore, they favor either:
  - a. Total ownership of tools by the state.
  - b. Partial ownership of tools by the state.

Most people seem to be fearful and suspicious of businessmen and industrialists. They see them as persons having enormous financial resources at their command, and they imagine that having such resources places these men in a position to impose their wills upon everyone else. Until the free market is really understood, the average person probably will retain some of this apprehension. But once an understanding is reached, it will be seen that the businessmen and the industrialists, although they may at certain times command large sums of money, are completely at the mercy of the free market.

Curiously, the fear many people have of a free market is shared by many men who are actually operating businesses or industries in the market. So it sometimes happens that businessmen, as well as their customers, motivated by fears of a free market, run to the government in an effort to get legislation passed to “protect” the “rights” of certain persons who might be injured if the freedom of the market processes continued. This results in governmental action which intervenes in the market to the advantage of a person or group and to the disadvantage of other persons or groups.

Here are some of the fears which are often expressed:

- (1) *The fear of high prices.* “It is a well-known fact that every businessman, merchant, industrialist, or financier wants to make as much money as he can. In order to make as much as possible, he has to charge high prices. If it were not for government intervention, businessmen could charge any price at all and this would compel their customers to pay exorbitant rates for everything.” How often have you heard that fear expressed?
- (2) *The fear of excess profits.* “I understand that business has to make a profit, but it should be reasonable. When a big firm like General Motors or United States Steel actually shows a billion dollars in the profit columns, something has to be done. That’s too much profit. But excess profits are the result of high prices. And the government can step in and keep prices down; or it can prevent excessive profits by forcing up wages or by taxation.” Perhaps the foregoing arguments are also familiar.

- (3) *The fear of monopoly.* “It is a well-known fact that businessmen are out to dominate the market at the expense of their competition. In a free market, one businessman is bound to be smarter than the rest and he’s going to make more money at the expense of others. He’ll use his superior position to lower prices until he drives out his competition. Then, with the field cleared of all competitors, he can raise his prices to a monopoly level. Probably in the end, one firm, or possibly even one man, would have a stranglehold on all production and distribution, and we would find ourselves at the mercy of some economic czar.” Note that in this fear of monopoly, the fear of one-man control is secondary. What is really feared is monopoly-price (a high price resulting from a non-competitive marketplace).

There are other fears, too, but nearly all of them center on the idea that in a free market, the customer is helpless and at the mercy of suppliers or producers. Therefore, government help is sought. Some of the other fears often encountered that arise from ignorance concerning the market are these:

- (4) *The fear of unemployment.*
- (5) *The fear of low wages.*
- (6) *The fear of poor quality.*
- (7) *The fear of fraud, deception, and false advertising.*
- (8) *The fear of depression. (Fear of a business cycle).*
- (9) *The fear that honest and reliable money can only come from government, and that marketplace money is unreliable and dishonest.*
- (10) *The fear that wealth and dishonesty go together and the supposition that poverty is somehow virtuous for it is always honest.*

We will in the ensuing chapters seek to show that these fears and superstitions are entirely unfounded *if* we are talking about a free market. Indeed, we will state categorically that the evils which so many imagine arise from a free market are precisely the evils that



do arise from a mixed economy, controlled in whole or in part by government.

In addition to these general fears about the nature of a free market, are fears which arise from several historic periods during which popular opinion holds that a free market did exist and produced exploitation, disaster, and virtually criminal behavior. There are a number of historic epochs deserving of attention, but the three periods which we will examine are:

- (1) The Industrial Revolution.
- (2) The Age of the Robber Barons.
- (3) The Great Depression.

The Industrial Revolution to which reference is most frequently made is the one that took place in Great Britain. This was the first to occur, chronologically speaking. Actually we don't hear very much about the American Industrial Revolution which occurred in the wake of the earlier British experience. The British development occurred between 1760 and 1830. The Age of the Robber Barons occurred in this country and is generally set down as having run its course between the years 1875 and 1910. The so-called Great Depression came about in America between 1929 and 1940.

Of all these periods, much the same complaint is heard. It is said that in each case we had a free market and that businessmen and industrialists could do as they pleased. Because they were free, they acted unscrupulously and with great cruelty. For instance, of the Industrial Revolution it is said that mill owners and factory owners and managers conspired to keep wages down in an effort to push profits up. Men were forced into hard labor in these "sweat shops," compelled to work long hours at pitifully small wages. Conditions in the factories were deplorable. People were crippled through labor; some were made into hunchbacks with club feet, while others had legs or arms torn off. Health was ruined. People had less. They were exploited and victimized.

Worse than this, some factory, mill, or mine owners were really sadistic and immoral men. They took advantage of the women working for them as a means of satisfying their lust. The work was hard and degrading. Worst of all, little children were forced into

the mills, made to work long hours, and were beaten and starved if they disobeyed. They were deprived of their schooling and sometimes were even chained at their benches so that the owners could extract the last ounce of energy from their frail and emaciated forms.

Now, that's a pretty colorful summation of the kind of thing one reads about, and the criticism is devastating. It makes it appear that, indeed, governments must intervene in the market; for businessmen are not only thoughtless and selfish, they are virtually subhuman in the way they will torture and mistreat their fellows. Clearly, if businessmen are of this stripe, then labor unions and governmental curbs against such excesses can not only be explained, but justified.

Or take the accusation against the Robber Barons. These were giants in finance and industry; the big "moguls" who didn't care about humanity or anyone but themselves. They strode roughshod over their workers, their customers, and their competition, with the dollar their only god. Incredible evil is ascribed to them.

Or take the Depression. Here it is alleged that we had no laws to prevent the greed of business from manifesting itself. Hence, the men in productive operations simply overproduced, creating surpluses which could not be consumed by the market. Once this was discovered, businessmen simply closed their factories and their businesses until existing inventories could be sold. This threw everyone out of work and created a terrible condition which was only cured when the government intervened and introduced massive welfare programs and insisted on paying high wages even when non-productive work was performed (as with the WPA).

We are going to try to deal with these various fears and accusations, both of the free market and of the historic periods mentioned. The first of these periods in the order of their occurrence is the Industrial Revolution, so we'll begin there. But first we have to learn how to deal with any historic inquiry.

There is an inescapable tendency we all have. Whenever we want to find out how people lived in years ahead of our own time, the tendency is for us to compare our situation with theirs. This is understandable, but not particularly helpful. If we compare the

human situation of approximately 1960 with that existing in England in 1760, we'll learn only one thing: Things are better now than then. But what will that tell us about 1760? Not much.

If we really want to see what was happening in 1760 and, by this process, determine whether or not conditions were improving under the impact of industrialization, we must go to a time *prior* to the period under inquiry. We must see what England was like in 1660, or possibly even 1560, before we can detect whether industrialization brought improvement or whether it contributed to man's wretchedness.

Remember the accusations that have been made. Did industrialization bring a decline? Was health ruined? Did standards of living fall? Did people work longer hours for smaller returns? Were the children injured? Common knowledge is that, until the government intervened, industrialization was in the process of enslaving the human race but that fortunately, social scientists, labor unions, and politicians combined their forces to throw a roadblock across the highway of man's greed, and thus preserved some measure of freedom.

So it would be important for us to look at conditions preceding industrialization to find out whether or not the unprecedented economic developments brought advances or retardations. For instance, it would do us little good to compare wage rates between the average worker of 1968 and the average worker of 1768. What would be meaningful would be a wage-rate comparison between people living in 1768 and those living in 1718, and possibly in 1668. Such a comparison, combined with other factors as well, might tell us a great deal.

Before we begin the process of making this comparison, however, there is an even more fundamental question that must be asked. It is clear, and today there is no meaningful challenge to the assertion, that the Industrial Revolution began in Great Britain. But why there? Why didn't industrialization begin in France or Germany or the Ruhr Valley, where so much coal and iron ore were located? Why didn't industrialization begin in Italy, which had already provided the matrix for that exciting and revolutionary development, the Renaissance? Why not in Holland, Belgium,

Spain, Portugal, or possibly the American colonies? The fact is that the enormous economic shift in productive procedures which began to close the door on the agrarian age and open the door for an age of industry, did begin in the British Isles. There must be a reason, or a composite of reasons.

Were the British smarter (or perhaps less smart, if industrialization produced an injury)? Did they have more natural resources or a better and more available labor force? Were they hungrier? There are certainly differences both in climates and between races which might influence some particular development. However, when we ask questions of this sort, we can usually answer them to the effect that whatever dissimilarities might have been detected between, say, a British subject and one under the king of France, their similarities are far more noteworthy than their differences.

One factor that appears to have made a profound difference was the relative amount of freedom which individuals experienced in Britain as contrasted to individuals in any country on the continent. And that, in itself, may have descended from a long train of events. Britain had not been an absolute monarchy ever since 1215 and the battle of Runnymede. On that occasion, the barons were able to obtain certain written guarantees from King John, which tended to erode the very ancient idea of the divine right of kings. From that time on, British people did a lot of talking and a lot of thinking about their rights as Englishmen. The same type of dialogue doesn't appear with such frequency elsewhere. Apparently in Britain, ideas of liberty stimulated both a great love and devotion to Britain and, at the same time, a willingness to revolt against some particular monarch while still revering and even reverencing monarchy and all that it implied.

From the time of Henry VIII (1509) up until the time of George III (1760), Britain had one act after another of insurrection, rebellion, protest, or civil disobedience. There were contested decisions respecting religion, morals, freedom of speech, Parliament, property rights, the question of succession, taxation, and a host of lesser issues. Of course, there were instances of protest elsewhere, too.

But coupled with the obvious and growing British belief in the rights of individuals, beginning in 1603 with the crowning of James I, Britain had a marvelous stroke of good fortune. The introduction of the line of Stuart kings began an era of stupid and incompetent rulers for Britain. This is always helpful when it occurs. Every country gets occasional rulers who are anything but brilliant. And, of course, when this occurs, the economy of the country usually benefits, and advances toward greater freedom can be detected.

Keep in mind that governments tend to intervene in the economy and you will see that when a king or other ruler appears who is too apathetic to intervene, or too stupid to see just what political advantages might come his way if he did intrude, then you may find a situation that proves beneficial to the citizens of that country. And certainly this was the way it worked out in Britain.

James I, the first of the Stuarts, was a case in point. He had been King of Scotland (James VI), but when he came down to London after the death of Queen Elizabeth, he came from the rough, outdoor life of a Scottish chieftain to the relatively effete, hothouse climate of a sophisticated, urbane court. It didn't suit him particularly and he spent the greater part of his reign inventing excuses for going on a hunt or otherwise staying out of the stuffy chambers where, as a conscientious monarch, he should have remained.

This propensity for hunting and other sports produced an interesting phenomenon. He was rarely around when the bureaucrats wanted him. The consequence was that when they needed his signature on a bill, or when they wanted to get his opinion on some vital matter, they either had to delay or proceed without him.

Thus it turned out that during his reign, the moves that had begun earlier not only to establish a parliament, but to make the work of a representative body meaningful, bore fruit. While James was engrossed in his favorite sport (burning witches—it was said he could identify a witch on sight), a law was passed to the effect that all taxes had to be approved by Parliament and that no king could tax without parliamentary consent; further, that no subject of Britain had to pay a tax at all unless he was represented in the general government.

Now, if James had been on hand, he most certainly would have objected to ideas of this sort. But since he was preoccupied, such legislation passed without his successful opposition. Of course, he came into town now and again and did his share of objecting. But his preoccupation elsewhere served the cause of irresolution, and the realm flourished.

When James died, his son, Charles I, took over. Charlie had been traveling about France with the Duke of Buckingham, and had established himself as a womanizer. When he came back to England on the death of his father, he had missed a good bit of the dialogue going on between Tories and Whigs and he was convinced that the king should make ultimate decisions concerning taxes. Conditions between himself and various members of parliament became so strained that Charlie sent Parliament home. After awhile, he called them back to approve of a tax bill. They wouldn't give their approval until he would agree not to send them home again. One thing led to another and finally the nation was in open rebellion.

Oliver Cromwell led the dissident faction in a successful revolution, which ended in the capture and decapitation of the king. But this was only the beginning. Now the politicians in England were embroiled on many fronts. There was little time to pass laws or to increase regulations and taxation. The economy was largely neglected by the political leaders as the struggle for power became more and more highly specialized, actually involving fewer and fewer people. This type of procedure is always beneficial. One item of government control after another fell into disuse or died of neglect. The mails were no longer censored; the profits of businessmen grew larger.

Finally, the German Hanover line of succession was introduced and Great Britain blossomed under the two most indifferent and lackadaisical monarchs she had ever had: George I and George II. These men were foreigners, and wouldn't bother to learn English. They were apparently content to live rather modest and unassuming lives, without enlarging the court or otherwise imposing their wills on people. Of course, by this time, Parliament was far more active than it had been and was doing some

unfortunate things. And the power of the king was still important, as we learned when George III came to the throne in 1760.

King George III admitted that his predecessors had not ruled well, if they had ruled at all. And even before he assumed the purple he was making plans as to how to correct all the economic abuses that had sprung up and how to obtain all the tax money that hadn't been collected for many years. Quite a few of the laws he wished passed had to do with the British colonies in America. Still other laws had to do with the domestic economy of Britain.

And here is one of the little ironies with which we must contend. For scholars agree that the Industrial Revolution began in 1760. And that was the same year King George III came to the throne. George was a competent bureaucrat, Britain's first competent ruler since Elizabeth I. And historians are prone to put these two facts together and to conclude that to insure economic advantages there must be a competent politician in charge. Nothing could be further from the truth.

George didn't realize that an Industrial Revolution had gotten started right under his nose. Had he realized it, he might have attempted to prevent it, for he wanted to regulate all affairs in the British Isles. When he finally did tumble to the fact that vast new industrial changes were coming about, it was too late. He passed some laws trying to regulate wages and hours. And he passed some enclosure acts. But the revolution had gotten away from him. He tried to limit it to Britain so that ideas and production couldn't be exported to other countries. But he failed there, too.

Confronted in America with rebellious colonies refusing to pay their taxes, George became increasingly frustrated and distraught. It is apparent that he became mentally deranged or at least suffered a nervous breakdown. He had two of the most marvelous opportunities of any monarch to keep his subjects subjugated. He failed at home and in the colonies. No wonder he suffered such distress.

But certainly we can see that the British rulers from 1603 to 1760 were a weak and incompetent lot. And it was during this 150-year period that the British people obtained more and more freedom, culminating in major industrial growth and development.

If we examine Britain from 1560 to 1760, we find a pastoral scene. The towns and villages were usually nothing more than the ancient sites of feudal castles. The townspeople were the descendants of the ancient peasants and villeins who survived by marginal agricultural operations, beholden to the landed gentry whose lands they occupied.

The remnants of chivalry, knighthood, and feudalism were struggling against a slowly-growing class of merchants, free land holders, and businessmen. The two centuries before 1760 were marked by vast religious and political struggle, by periodic starvation, and by disease. The land was ravaged again and again by thundering horsemen following their king or some revolutionary leader.

There were some centers of trade and a very few centers of industry. Flour milling, by using water power, had been in England for a long time. The Roman legions had brought hand mills into the Isle of Tin with Julius Caesar. But the principles involved in this mechanized method of providing food were not applied elsewhere.

Nearly all production of useful tools and substances occurred by hand. Hand spinning wheels and hand looms were the rule, and independent seamstresses made the clothing. Every housewife had to keep the numerous children clad in homespun. There were some shops turning out metal by crude factory means, but the handling of the raw metal after its original refining was left largely to individual smithies and to wandering tinkers and ironmongers.

Pestilence and disease were major problems. Soap, of course, was known, but was usually not available to most of the population. Running water was an exterior phenomenon; the idea of putting it into pipes and taking it inside dwellings had not yet emerged. Sewers were on the surface rather than underground. The result was that in major urban centers, such as London, streams of refuse of all sorts provided hazards on both sides of most major thoroughfares. Where streets were narrow, the gutter often ran down the center of the street. Houses were constructed with a second story overhang, providing a meager refuge for those "taking the wall." The refuge was meaningful, as slops of all sorts were customarily thrown from second story windows into the



gutters and a passerby might become inadvertently splattered by foul-smelling debris, airborne by a second story maid of indifferent aim.

Writers considering conditions during these two centuries preceding industrialization were not slow in pointing to the consequences. It was a period punctuated by plagues, pestilence, and famine. In fourteenth-century England, the black death decimated over three quarters of the population, while in Europe some 25,000,000 persons died in the epidemic.

A plague in 1664-65 just preceding the industrial breakthrough took 68,596 lives in London alone, which at that time had a population of approximately 460,000 (a population loss of approximately 15 percent). It is no wonder that people of means, including the royal court, left London during the warm summer months to escape the "noxious vapors" that seemed to arise with the fogs and the mists. One observer commented that he could always tell when approaching a major city, as any urban area had a "certain air" about it. One writer commented that London could be smelled twenty-five miles away downwind.

To add to the distress, crime was rampant and punishment was both rigorous and public. London at one time was known as a "city of gibbets." There was a gallows erected at many street intersections and felons were not only executed on them, but their bodies left swaying in the fitful breezes as a warning to would-be criminals. Sometimes the culprit was beheaded. It was customary to sever the head from the body, mount it on a pike, and display it prominently for a specified period of time as a warning to other malefactors.

According to Christopher Hibbert in *The Roots of Evil*, a prisoner of Newgate Prison described the process wherein heads, after they had been severed from their bodies were parboiled. "The hangman fetched them in a dirty dust basket, out of some by-place; and setting them down among the felons, he and they made sport with them. They took them by the hair, flouting, jeering, and laughing at them; and then, giving them some ill names, boxed them on the ears and cheeks. Which done, the hangman put them into his kettle, and parboiled them from putrefaction and this to

keep off the fowls from seizing on them." Later, the heads would be placed on pikes and put on display until they were blown down on windy nights. All of this macabre procedure added particular odors and disease germs to the lack of soap, hot running water, and general lack of sanitation.

A man going on a journey (traveling was mostly on foot with only the wealthy or the politically privileged riding on horseback or in coaches) could expect to find dead bodies at intervals beside the roads. From this came the custom of calling the black scavenger birds "carriage crows." From it probably descended the general anathema to "eating crow," which certainly would not be added to the diet if anything else were available.

Under conditions of this sort, standards of living were not high and death from any number of causes was common. Certainly it is true that children's lives particularly were apt to be snuffed out prematurely and the death rate among children was very high.

Nobility and royalty had advantages not shared by commoners. But even these advantages did not lead to cleanliness. Vermin plagued rich and poor alike. And while the rich might buy perfume and seek to disguise the unpleasant odors, even they itched from the bites of unpleasant crawling things on their persons. Among the lower classes, hair grew long, remained uncombed and was rarely cleaned. A person washed when he got caught in the rain or fell into a stream. What is remarkable is not the death rate, but the survival rate in view of the lack of sanitation and the prevalence of contagion.

Of even more serious consequence was the lack of an adequate diet. While it is true that the royal household and the politically advantaged fared rather well, the vast horde of ordinary people were perpetually on the brink of starvation.

Although England was largely pastoral, land was not cultivated with scientific skill. Every village had an extensive area of "waste" lands and another area called "the common" which was retained in idleness. Preceding and during the revolutionary period many of these wastelands were reclaimed and put into cultivation. The "common" lands were seized, fenced, and put into production. This increased the likelihood of survival for great numbers of

people. But during the pastoral days, starvation was the common lot of thousands. Among the diseases that wracked huge populations were those arising from improper or inadequate diet. Scurvy, beriberi, and rickets were common causes of death.

When more food was produced, prices for staple items were reduced and more people were able to survive. Prior to that time, there were a limited number of food items that were cheap enough to be generally available. Even here, many went without. We commonly accept the notion that everyone eats three meals a day. In pre-industrial England, a man might feel himself fortunate if he ate once every day. There are many who apparently anticipated no more than three or four meals a week.

A common item of food was black bread. The bread was usually made from barley or oats, although wheat flour was in demand and could be had by the more fortunate. The milling was crude but effective. Nothing was wasted. Flour was "whole grain" and "stone ground." It often contained many impurities. Since mill stones were customarily made by hand-tooling methods, the stones used were subject to abrasion though friction. The impurities thus produced found their way into the flour. The result was a very dark flour and a bread the consistency of soft concrete. Certainly the flour was not "vitamin enriched," nor even purified.

And the baked breads, cakes, and tarts proceeding from the ovens contained enough grit to mar the enamel on the teeth of those consuming it. Cavities must have begun appearing within a few weeks of going on such a diet. And who could afford a dentist? Besides, the dentist and the barber were usually the same man, noteworthy in having a knife sharp enough to cut a beard or to open a vein for bleeding. Many maladies, including toothaches, were treated either with witchcraft and incantations or by the process of removing certain amounts of blood. Under the circumstances, cavities may have been easier to endure than the probable cure. But it is doubtful that there were many who reached their teens among the common folk who had what we think of as a radiant smile.

Aside from bread, a common item of diet was gruel. This is a kind of soup, usually with a grain or cabbage base. In times of

plenty, it might be fairly thick and nourishing. In times of famine, it would thin out, and other dainties might be added. These additions would include any meat, if available, or leaves, grasses, herbs, or vegetables. But the latter, even among the cheaper root crops, were not plentiful. Indeed, such tubers as the potato and the turnip were introduced during the revolutionary period.

Acorns were a staple item. A number of recipes have come down to us in which acorns are featured. These were also roasted and scraped to provide a powder from which a kind of acorn coffee could be boiled. Few could afford real coffee and even the well-known tea leaf was a luxury item reserved for the wealthy.

Gin can be manufactured from all kinds of things and thus was relatively plentiful. Probably much of what is called "ale" that was available for the peasants was nothing more than very cheap and improperly cured gin.

As for red meat, it was extraordinarily costly and precious. Mutton was fairly common, but high-priced. Beef was in the same category although slightly more available. Fish, particularly saltwater fish, was a staple especially near the tidewaters. But game animals were under royal or noble sanction and any unauthorized man who shot a deer or who caught a rabbit or a grouse was subject to serious punishment. In spite of punishments which frequently included amputation of fingers, ears, noses, or hands, and on occasion resulted in death, poaching was a common crime. Man traps were devised, including pits into which the unwary poacher could tumble and actual *steel*-jawed devices along the lines of a modern bear trap. These latter could sever a man's leg or hold him captive until his cries brought an indifferent retainer. Certainly, life was hard and men were cruel.

What of the clothing? As already indicated, the cloth was the product of hand labor. But it was terribly costly and among the common people a change of garments was a luxury hardly dreamed of. You dressed in accordance with your station in life and, by law, no man dared to dress above his station. England had a class system, a social system that was stratified, into which you were born. Most of the people had but a single garment. Underclothing was too costly for the average person to afford. Further, you were

probably sewn into your clothing and you kept that garment on until it literally was worn out. There's an early jingle that contributes to our knowledge: "Patch beside patch is neighborly; but patch upon patch is beggarly." The implication is clear. If your garment was patched, it was a sign of thrift. But when you began to patch the patches, it was time for a new garment.

Those who find this practice a strain on their credulity might do well to recall that here in these United States, back in the 1840s, we used to sew our children into their clothing. A young lad, for instance, would be sewn into his summer clothes following his spring bath. In the fall, he'd take another bath (whether he needed it or not), and then be sewn into his winter clothing. That way, the children bathed at least twice a year. This was an indication of progress.

While we're on the subject, we might be reminded that in this country the bathtub made its reappearance after an eclipse in cleanliness following the fall of Rome. And, in the 1840s, if you wanted a shower bath, you needed a doctor's prescription first. It was believed that to expose the entire body to a water spray was highly dangerous and could result in death. And that was in this country only a little more than a hundred years ago.

Queen Elizabeth I once startled her taxpayers by proclaiming that every British subject ought to bathe at least once a month. They thought she was addled to make such a demand and they ignored it. But she was ahead of her time.

Of course, royalty and nobility often had extensive wardrobes and we read about them in fictional accounts that make the age of chivalry sound very glamorous. It was a bad-smelling age, filled with starvation and early death insofar as most of the people were concerned.

What of the wages available in those "good old days" prior to industrialization? Many social reformers later championed the idea that people fared better before they had to work in mills, mines and factories. Did they?

Again, it is quite likely that the politically privileged did very well. At least they had the best of what was available. However, it is a matter of common observation that an hourly rated worker in

the United States in the 1960s lived better than royalty and nobility did, prior to 1760. Although a king might have everything that was available, not one of the early monarchs had a decent bed, a decent bath, or a decent medical examination. Certainly none of them even dreamed of automobiles or radios or television, much less of the jet engine or a computer.

In this country we have politicians who imagine that a man earning less than \$10,000 is poor. At \$10,000 annually his standard of living would be higher than that of Henry VIII.

It is quite likely that at least half of the population of the British Isles earned no wages at all prior to 1760. Those who did get to handle money in exchange for their services were often given a stipend for some particular task. By no means was a regular weekly or monthly wage guaranteed. Those who went to work for the government frequently did get an annual wage of a few pounds. Otherwise money was very scarce, and the lucky beggar who happened to lay his hands on a coin of almost any denomination might find his lot improved enormously during the short period of time his unexpected treasure was available to him.

Large numbers of persons, notably those attached to the clergy or those apprenticed to master craftsmen in the old guild system which continued through the centuries of transition, obtained room and board for their services. And that was all. Not until they advanced to positions of trust or mastery did they earn a money wage.

This fact must be kept in mind. Not only was money scarce, its purchasing power was high. It is said that a man of the lower classes who might have a penny was in a position to purchase room and board from a wayside inn for as long as a week. Keep in mind that a British penny was not the equivalent of the American cent. It was a large coin and the thrifty British divided it into half-pennies and even into farthings (forths). Also, when we are told that a penny would purchase room and board for a week at an inn, we must keep in mind that this did not mean a private room, maid service, and three meals a day. Rather, it meant that the lucky purchaser would get to sleep on the floor in the common room, along with others in like condition. There would be no furniture at

all, and certainly no maid service. But there would be a dying fire on the grate of the mighty fireplace, and a roof overhead. This would be infinitely superior to sleeping under a bush or tucked away in some dry corner behind a stairway in a large town.

As for the meals involved, these would probably consist of a single meal at noon, featuring a slab of bread and possibly a bit of fish. A bowl of gruel might appear in its place. And if mine host felt opulent he might, on a Sunday or other feast day, regale his penny spenders with a slice of goose or roast pig—not affluence by any means, but a far cry from zero.

Another condition should be mentioned. Illegitimacy was common, and children were often left to fend for themselves at very early ages. There is no doubt that many unwanted infants were simply exposed and left to die outside. Or if the parents could manage to raise the child until he was perhaps six or seven years of age, he might at this point in life be sent forth from his home to “seek his fortune.”

Lucky indeed was the youngster who managed to find a household where he was welcomed and where he could work for his keep. Those who got to sweep chimneys, at least, had a calling. Those who were apprenticed might serve as long as sixteen or eighteen years without ever earning a penny. But they were housed and fed.

This was the “pastoral scene” that unfolds when you come close enough to look for the details. It is not a pleasant picture. But it is one we are prone to forget or overlook. Life of this sort is so foreign to us that we can hardly conceive of it. Yet we have stories of little children, eating dirt to fill their bellies. And we have accounts of the elderly cropping grass on their hands and knees in competition with the grazing sheep. These are the conditions that confronted the common people of England. And who were they?

As stated earlier, England had a class system. At its apex were the politically privileged, the royalty, and the nobility, who certainly owned and controlled nearly all the wealth. Socialists contend that about 2 percent of the population controlled about 80 percent of the wealth. This claim can be discounted to a degree but it cannot be shrugged off. It is probable that the upper classes were

slightly more numerous and comprised about 5 percent. But certainly this group of persons did dominate the country and did control the greatest amount of wealth.

Below them was another group of persons, expanding gradually through the years, that later was to be known as the “middle class.” These were the people who, while not politically privileged, still managed to own some property and to live fairly well. These were the merchants (who probably had purchased monopolies from the king) and the tradespeople, the master craftsmen and the builders; the artisans and the freemen or “socmen” who had somehow managed to own a few acres and who supported themselves on the strength of the properties they owned and used for production or trade.

Below them stood the rest of the population, perhaps as large as 87 percent of the people. It could be stated (it would be no more than an estimate, for figures are not available) that in the “middle class” about 8 percent of the people owned about 10 percent of the wealth. The remaining 10 percent of the wealth was “owned” (used) by the balance of the population.

There is a major point to be grasped here. When the Industrial Revolution occurred, it was the lower classes who benefited most. Nearly everyone benefited to some degree. But industrialization lifted the lower groups as though by magic. Socialists have always been critical of industrialization because, as they see it, a free market system doesn’t distribute the goods properly. Actually, a free market system is by far the best distribution system ever devised. Indeed, as we will see, it was a portion of the then “middle class” which objected most strenuously to industrialization and mechanization.

The mass production of goods making them available at low prices, is what really benefited the masses. Socialization, which in time will always interfere with mass production, can never help the masses as much as a free market can help. And the evidence is available if we care to look for it.

The evidence, if one cares to put aside the propaganda and look at the facts, reveals that conditions for human living improved to the point where, for the first time, the reduction of poverty was really beginning to occur. It was the impoverished masses who



benefited most by mass-production techniques. Also, it was in the vast area of unemployment among those same masses where jobs became available and spending power was distributed to hundreds of thousands who had never before been able to rub two coins together.

The major characteristic of the period of industrialization was the population explosion. A careful examination of available evidence, including the records of burials and christenings, indicates that England and Wales had a combined population of about five and a half million people in 1700 and about six and a half million by 1750. In 1801 the first census following the beginning of industrialization was taken. It revealed that the population had swollen to approximately nine million. A new census was taken in 1831 and by that time a tabulation of fourteen million occurred. Thus, in the last half of the eighteenth century, population increased by 40 percent, and in the first three decades of the nineteenth century, it increased by 50 percent.

Careful analysis reveals that the birth rate was relatively constant during this period. It also reveals that the population of England and Scotland was not being expanded, at this time, by migrant workers coming in from Ireland, the Scandinavian countries, or the continent. Rather, during this same period of time, Britain was exporting populations to the continent and to both America and Australia. The increase in population in Great Britain resulted directly from a decline in the death rate.

Why were more people able to survive? More land was in cultivation, and more and better food supplies became available. Not only did they exist, but the purchasing power of the lower classes had expanded so that the very places where death had been common before, became the places where survival now ensued.

In addition, sanitation measures were taken which removed some of the worst sources of plague and contagion. The working population expanded as more jobs became available and at higher and higher wages, placing adequate clothing, shelter, and food at the disposal of those who had gone without.

Particularly noteworthy is the decline of the death rate among children, always the first to suffer when privation and disease stalk the land. And of particular interest here is the fact that the survival

rate of children improved primarily among those youngsters fortunate enough to find employment in the new mills and factories which were beginning to proliferate.

One of the chief contributing factors to the development of industry was the availability of money for investment purposes. During the Dark and Middle Ages, risk capital had been almost impossible to acquire. The Jews, confined to their ghettos in virtually every major city in England and Europe, and forbidden by law to go into most business enterprises, found themselves reduced to the banking business, which was under religious proscription but not under legal restraint.

The Catholic tradition had held it sinful to borrow or lend, particularly when high interest was to be paid. The Jews made themselves valuable by making large sums available, if not to private industry, at least to ruling houses. If it was sinful for the private person to pay or receive interest, members of royalty or the nobility held themselves above such mortal venality. The House of Rothschild had been a supporter of many governments for years, since it was governments that normally would be willing to pay a high rate for borrowed sums.

The split between Henry VIII and the Church had resulted in a far more liberal view of money in England than elsewhere, and risk capital began to flow into the British Isles, where businessmen and entrepreneurs found that they could borrow if they were willing to pay as much as 30 percent per annum for venture sums.

It is instructive that rates of interest, unfettered by government regulation, stood as high as 30 percent per annum in 1760 but had declined to about six percent per annum by 1830. Also, the development of the limited corporation brought many investors into the market, willing to risk small sums in exchange for a chance at a dividend or other profit.

Although there had been a major catastrophe in the investment of risk capital near the beginning of the eighteenth century, when the burst of the famous South Sea Island Bubble had wiped out many fortunes, the time was ripe in 1760 for a new enlargement of risk capital.

It has been claimed that the single area of economic advance in

England was in textiles. Certainly, the development of the spinning jenny, the mule, and other machines capable of improving and enlarging textile production played a key role in the revolution. However, improvements in steel making, and the development of new techniques in both mining and agriculture, introduced additional factors that improved the lot of humankind immeasurably. Transportation, aided by the digging of a network of inland waterways along which barges could be inexpensively propelled, helped to carry goods from the point of manufacture to the point of consumption. Railroads were also introduced and the incredibly bad stagecoach roads were improved with better surfacing. There was hardly a place in British life that didn't receive impetus from the new productive factors at work.

Much has been said of the "enclosure acts" and the detrimental effect they supposedly had upon the lot of the commoner. Certainly, the forceful appropriation of lands from those who had, by custom, been able to occupy them, created a sense of injustice even though in fact these lands had not been "owned." Rather, they had been reserved by common custom for the use of the common people, who now found themselves ousted as these lands were seized and put into production.

The charge has been made that these enclosures were accomplished at the behest of the new mill owners who were seeking workers and manpower for their new enterprises. The evidence runs counter to the generally accepted view. It is quite likely that few mill owners were even aware of the seizure, and certainly there is no evidence that they conspired to bring it off.

The result, however disturbing it may have been to the commoner, was beneficial. For men and women who had grown accustomed to residing at one point in miserable poverty, were now compelled to migrate, seeking to improve their lot. Many of these people found their way to the doors of the new factories and mills, and became gainfully employed. Meanwhile, the expropriated lands were put into cultivation with the benefits already mentioned.

The indifference and general apathy of the long line of incompetent kings and queens had aided in this massive ousting of the commoners. When George III was confronted with the results

of the seizures, he simply legalized the procedure, calling for an end to this type of action. He found it impossible to restore the commons and the old way of life.

In addition to the vast improvement in diet resulting from better and more food and a better use of the land, there came an increase in the numbers of garments made available to the poorer classes. Also, new dwellings were built, frequently near a factory or mill site, so that migrating workers found it possible to rent private homes or even to buy their own homes over a period of years.

It is instructive that the mills and factories were normally built outside the existing limits of the early cities. The accusation has been made that the smoke from the factories befouled the air and ruined many a lovely village. In actual fact, the proper site of a production unit was as close to available sources of power as possible. Thus, the new mills were erected beside streams or in forests where wood fuels were readily at hand. Sometimes they were placed adjacent to shipping points where coal could be brought in cheaply. The general tendency was for the factory or mill to be built out of town, with workers moving into the area and new towns being constructed which were truly the factory-type town.

We frequently are told that unless we have zoning and planning in urban areas, factories, stockyards, pig farms, and glue works will be constructed in class-one residential districts, thus ruining property values and defiling the neighborhoods. Historically, the reverse is true, although there may have been occasional exceptions. Customarily, the price of land within an urban area is so high that it forbids its employment for productive purposes. Cheap land, beyond city limits, is sought. But then an urban development begins which may well find the residents at a later date complaining about the factory which was the prime reason for a settlement in the area in the first place.

There was little zoning or planning in England during the years of the Industrial Revolution. Had there been, it is possible that the revolution might not have occurred with all its resulting benefits.

What of the conditions in the factories? The principal complaints were these:

- (1) Wages were too low.
- (2) Hours were too long.
- (3) The factories were “sweat shops” with working conditions deplorable.
- (4) Machinery was dangerous, resulting in many accidents.
- (5) Profits were too high.
- (6) Businessmen were indifferent to the problems of their workers.
- (7) Children were hired and forced to compete with adults.
- (8) Education was neglected.
- (9) Health was ruined by factory work, with women in the mills often deformed to such a degree that they could no longer bear children.
- (10) Workers were reduced to poverty because of the low wages.
- (11) Children were whipped and cruelly treated, even chained to their benches.

Let's take these in turn.

*Wages.* Were the wages low? Not by the standards then in vogue. Bear in mind that many of the men and women finding employment in the mills had never worked for wages before. To move from a position of zero wage to a position of any regular wage is an infinite improvement. Actually, by our standards the wages were incredibly bad. But when one remembers the purchasing power of even a penny, it may not come as too large a shock to learn that the lowest wages known were about three pence a week. Usually, the wage paid was at least six pence per week, or a penny a day for a six-day week. Further, the wages rose rather constantly from 1760 to 1830, and by the time the plateau was reached, it was common to find even unskilled workers commanding two shillings per week (twenty-four pence) with many skilled workers receiving as much as twenty or thirty shillings for their efforts.

Nor were these increases in payment the result of legislation or of

union activity. Rather, they resulted from the development of specialized skills in the factories and mills, and the competition between employers as they repeatedly sought to hire better workmen.

*Hours of work.* Hours of work were long. Nine-hour days were probably as short as could be found and fourteen-hour days were common. But this is not as open and shut as it seems. The hours were usually extended when a plant had a rush order to fill—a custom that continues to the present time. Double shifts were even known to occur with overtime being paid. Of course, virtually all workers complained because they did not get as much money as they would have liked. Also, they complained when they had to work long hours.

Curiously, however, the hours were longer in the summer than in the winter as a general rule. The reason for this is that artificial interior lighting in those days was largely unknown or far too expensive to be considered. Daylight was required. So in the winters we find the hours of work reduced sometimes to a five or six hour day. And now we find workers complaining because they did not work long enough and their pay was correspondingly reduced.

In respect to children, although hours of work were just as long as for their seniors, the work performed by the children was frequently not as demanding. For example, many youngsters were hired as “doffers” in the textile mills. These were the lads whose task was to replace the filled spindles with fresh empty spools when the run of the mill ended. At the moment when this work had to be done, each lad had to exert himself with great energy and skill for a few minutes. Then, as the mill began again with a new run, most of the doffers would go outside in good weather to play ball. Although they are listed as “working” fourteen hours a day, the actual amount of time worked probably did not exceed two hours and the balance of the time was consumed either in playing or in learning other mill processes, or was spent in school.

*Sweat shops.* Presumably, a sweat shop is a shop where perspiration occurs. In this sense, any place where one works hard enough to perspire is a sweat shop. The term is derogatory,

however, and is meant to convey the notion that factory owners and managers were indifferent to the conditions under which the workers were required to perform.

It is true, unfortunately, that many of the mills were not as light and airy as they should have been. But this was not a matter of willful procedure on the part of the employers. On the contrary, it was to the advantage of businessmen to provide the best possible working conditions. Government regulations, however, prevented the inclusion of as many windows as may often have been desirable. It was believed that each expanse of glass weakened the structure, so the number of windows was limited by government decree. Additionally, there was a period of time when, in Britain, following the example set by the "sun king" of France (Louis XIV), the window area in each factory or home was subject to a special tax on sunlight. It was proclaimed that the sunlight belonged to God and that the king, as God's vicar on earth, should be able to tax on the basis of his divine right.

Not as much was known in those days about adequate light and adequate ventilation as is presently known. In view of the degree of knowledge available, most of the plants were remarkably good places to work.

It is true that conditions could be uncomfortable. Anyone having to stand on his feet for a whole working day might develop swollen ankles. If moist processes or heat was employed, a room for such purpose might be too wet or too hot. If dust arose as a result of a milling process, it is likely that breathing would be difficult. If a cool temperature was required for a process, it is likely that such a room would be too cold. But these conditions arose out of demands for manufacture and not out of the indifference of employers.

*Dangerous machinery.* It is certainly true that any machine is dangerous. Accidents, while not as frequent as has been charged, did occur. But employers were greatly concerned with this problem. A serious accident might frighten the workers to such an extent that a whole run of production would be shut down. Little was known about protecting people by "boxing in" moving parts. However, as discoveries arose, they were applied as quickly as possible in most cases.

The only way a factory or a mill can operate in the profit column is for production to occur. If workers are frightened of the machines, they will not produce. The major force moving to make factories and mines safer places of employment came from employers and not from workers or unions as is frequently charged. A well-running, safe mill made more profits than a dangerous mill. This fact was quickly observed.

*High profits.* The accusation is usually made in a context that suggests that employers would exploit workers in order to enhance their profits. Actually, most of the first industrialists were under a major burden of debt that had to be met. Their profits did not go to line their pockets but to maintain their credit. Factually, as profits occurred, successful firms enlarged their operations, hired more workers, improved working conditions, and raised wages. Profits are never too high. A firm making high profits is a better place to work than one making small profits.

*Businessmen are indifferent.* This has never been true. As a matter of fact, the one charge that can be laid at the feet of most businessmen is that they are not as conscious of profits as they should be and frequently are motivated by heart considerations rather than by sound business reasons. Again and again, we find businessmen refusing to lay off workers who are no longer productive. We also find them digging into their own pockets to assist a worker who is facing some financial crisis or is forced into idleness by sickness or injury.

The businessman is as dependent upon his workers as the worker is dependent upon his employer. If indifference is to be charged, then something should be said about the worker who is wasteful and careless of the materials he is working with, not caring or not considering that such waste is costly and might very well move what could be a successful firm into a place of failure or nonprofitable operation.

Obviously, most people are far more concerned with their own well being than they are with others. But in business, it is profitable to take a very broad view of the other person's problems.

*Hiring of children.* Children were certainly welcome as workers. In fact, many children were needed, particularly in the mills, as



their hands had not been ruined by heavy farm work and by rheumatism and other diseases resulting in swollen joints. Some machines required delicate handling and nimble fingers. Also, since there was a shortage of willing workers (although unemployment was widespread), employers frequently hired not only the father and the mother, but were willing to place younger members of the family on the payroll.

Then, too, orphans were able to join the labor force and many of the unwanted children whose lot had been pitiful and whose life expectation probably did not exceed the ninth year, now found themselves not only acceptable but in demand.

As for the competitive factor, it unquestionably existed. But children who grew up in the mills learned a trade without having to go through the laborious apprenticeship earlier relied upon. And not a few of them worked their way up from sweeper or doffer to the place where they actually managed major concerns. Some of them became capitalists as a result of their saving and finally owned some of the plants in which they had worked as children.

*Education.* It must be kept in mind that nothing like a general education system existed in England prior to 1760. The advent of industrialization did not reduce the numbers of school enrollments. On the contrary, school enrollments expanded during the revolution. It is true, of course, that during the hours a young person is working for a living, he is not attending school. But increased employment for school-age children did not mean that those employed prior to 1760 would never have expected to attend. Of great interest is the fact that a number of mill owners not only arranged hourly schedules to permit children to attend school, they also hired teachers and sponsored the children in their educational pursuits.

On balance, education was not neglected. Rather, a great spurt was given to it and many more persons were able to pursue learning than had been able to do so up to that time.

*Worsening of health.* Accusations against employers because of unsafe or unsanitary conditions in their plants constitute one of the gravest of the charges made. It is true, of course, that accidents did happen. They still do. It is also true that some of these accidents

could have been prevented if the people at the beginning of the nineteenth century had understood as much about accident prevention as we do in the latter half of the twentieth century. But the reports of the incidence of these accidents have been greatly exaggerated.

One cause of this overstatement has been found. So eager were employers to find workers that men and women who had been deformed from birth were often hired by factory men. This led to the claim that working in factories helped to create hunchbacks. It was said that club feet occurred because people had to work in factories. Other birth defects were laid at the door of employers.

In 1834, when several medical practitioners were called upon to examine the condition of women working in factories to determine whether or not factory work damaged them in such a way that child bearing became impossible, the truth came to light. Factory work did not damage the health either of males or females. Rather, the birth rate among factory mothers was as high as that among farm workers. And, if anything, factory workers tended to be more healthy and have a longer life expectancy than those not having such employment.

It is certainly true that injuries did occur. Rather than finding the factory owners indifferent to such tragedies, the record is full of instances where the managers and the owners provided funds for the care, treatment, and even the support of those who had been injured in the line of employment.

*Workers reduced to poverty because of low wages.* This accusation is a complete fabrication and is based upon the well-known tendency of any worker to complain because he isn't earning more. There is no evidence whatever that any man was ever forced to work in a mill, factory, or mine. On the contrary, when a plant was hiring it was customary to find a long line of men and women seeking employment, eager to snatch at the wages offered. The only reason men and women were willing to accept these wages was because they believed their conditions would improve if they got steady work with regular pay. Nor were they deceived if this was their conclusion. The introduction of factory labor was probably the greatest single factor ever to be introduced into any economy which resulted in widescale reduction of poverty.

The fact that poverty still exists is not the result of a factory system but can be traced to the fact that following 1830, laws regulating wages and hours and other productive factors emerged which caused the increased tempo of economic life to falter and slow down. It is conceivable that had no laws been introduced to regulate and impair manufacture and trade, even the poor as we know them would no longer exist.

Then, too, what is poverty? The word is comparative and does not relate to any specific standard or set of standards. Today, by political standards, a man earning less than \$10,000 annually is poor. By the standards available in 1760, a man able to command so large a sum would have been viewed as wealthy. It is entirely possible that at some future time a man earning no more than \$100,000 will be viewed as poor.

*Whipping and maltreatment of workers, particularly children.* Were children whipped at their jobs? Occasionally, they were. But this is scarcely to be wondered at. Children were whipped wherever they went: at home, at church, in school. It would have been strange indeed if the switch had been entirely put aside in the factory. What is strange is that the treatment of children in the factories was, on the whole, better and more considerate than elsewhere.

There are stories of cruel overseers who would strike a child or even an adult when things went wrong. But these were the exceptions and are not the rule. Sometimes, the punishment of the child was left to his own parents, who frequently worked in the same mill. The threat of dismissal for bad performance had a far more pervasive effect than whipping.

What of the charge that children were at times chained to their benches? The charge is true. But not for the reason that is alleged. Children, as has been indicated, were frequently able to spend a good part of the working day at play. It was not unlikely that games would develop right in the factory which disrupted production and proved to be dangerous. A thoughtless, scampering youngster could be injured. The children who worked in places where machinery was exposed were sometimes chained to prevent them from darting into the moving parts. The same practice is

followed today where men are called upon to work with high-speed dangerous devices; for example, gloves are chained in such a way that a worker cannot thrust his hands into saws, gears, or presses.

The evidence is overwhelming in support of the benefits which everyone, directly or indirectly, obtained from the introduction of industrialization. Longevity increased. Survival was enhanced. Children were well-treated as a rule. More money came into circulation, and more goods and services reached more people. Fortunes were made. Unemployment was reduced. Standards of living rose.

With the evidence so abundant and so clear as to the benefits derived from the Industrial Revolution, why is "common knowledge" so contrary to the facts of the case? Did the Industrial Revolution injure anyone?

The answer must be given in the affirmative. Some were injured. Every innovation injures those who persist in clinging to the old ways. When automobiles replaced the horse and buggy, buggy makers, horse breeders, and harness makers were injured *if* they persisted in their old lines of business. If they were willing to adjust to motor-driven vehicles, new jobs and new opportunities in ample abundance awaited them.

In the days prior to the Industrial Revolution nearly all basic manufacturing, especially in textiles, was done by hand. With the advent of new and better machines and the introduction of water and steam power, new and better jobs were open to those who wanted them. And it is instructive that when unemployment was as rife as it was in pre-industrial England, with hundreds of thousands available who had never had a steady income, the problem of the employers was to find willing workers.

Among those who had been employed in the textile field and in other major crafts a sense of pride in workmanship had eliminated or reduced any desire to produce in a factory. The consequence was a very limited amount of goods, costly, but well made. As factory jobs became available, these craftsmen could readily have obtained a shift in employment. But many of them felt that their artistic skills, acquired over a lifetime of patient toil, should not be sacrificed to the machines. Further, a cut in wages would have been

unavoidable. These artisans were not willing to adjust. Rather, they became active agitators against machines and against a new order that was replacing their handmade production by machine-made factory goods, often (at the beginning) of inferior workmanship compared to theirs but sold at a considerable drop in price.

There also emerged about the same time a burst of new information and new theories relating to the economy. Adam Smith's monumental work on *The Wealth of Nations* stimulated such thought. So did the writings of the gloomy Scot, Thomas Malthus, who theorized that the birth rate always increased populations more rapidly than food could be produced and that consequently there would always be a number of persons being born who would starve to death. Giving weight to the arguments of thinkers and theorizers there emerged literally scores of persons who sought to idealize society and to offer plans and programs whereby humanity might be organized on more beneficial terms.

It was out of this matrix of industrial development that ideas of both socialism and individualism spewed. Men did not know how to live with the new-found ability to produce in abundance. The limping remnants of the old mercantile system of economy could not keep pace with the new private capitalism springing up on every hand. Production was trebled, quadrupled, and multiplied again and again.

Those who would not or could not change their ways in the face of the new order began to form into ranks of dissenters. The discontented, with or without reason, are always apt to be more vocal than those who find affairs to their liking. Disorders began to occur; working men banded together, driving themselves into each other's arms by the pervading sense that they were at the mercy of their employers whose orders they obeyed.

Many books and plays were written depicting the general unrest and the development of a belief that capitalists and industrialists were, as a class, narrow, selfish, and cruel. Perhaps the best way to come to grips with these developments would be to recite just one story from many that could be offered to illustrate what transpired.

Shortly after the beginning of the nineteenth century, while the Industrial Revolution was climbing steadily in intensity, a man ap-

peared on the British horizon with the unimposing name of Samuel Ludd. He was a commoner, uneducated, but devoutly religious. Apparently he taught himself to read and with that skill he devoured the Bible. There is no evidence that he ever read anything else.

He became a crusading minister, a zealot in providing his own particular interpretation to economic events. So ardent was his passion that he began to feel that the Lord was in direct communication with him. And the Lord confided in Ludd that the creation of all the new mills and factories was the work of Satan, who was engaged in a monstrous conspiracy to enslave the human race to industry. Ludd preached on this theme and obtained a sizeable and growing following. Among those who joined with him were the very young, the very old, the disemployed craftsmen unwilling to switch to factory employment, and a great many fanatics who were impressed with Ludd's claim to direct revelation.

Apparently, on a given day, the Lord gave Ludd the go-ahead signal. Ludd and his followers moved against a mill, drove off the workers, and stormed the place. Taking great care to injure no person, they smashed the machinery, damaged the fabrics and yarns, and left the place a shambles.

Exhilarated by this instant victory and confirmed in their beliefs that they were serving the Lord and conducting a holy crusade, the Luddites went into a kind of bivouac in a neighboring valley and Ludd began to preach the abolition of factory machinery. Word of his preaching spread and soon the inhabitants of a nearby town, women, old men, and babes in arms, flocked in to hear the great man decry the evils of machines which were the tools of the devil.

As this meeting was in progress, word seeped out that the purpose of the conclave was to plan an assault against the next mill or factory down the line. The owner of that factory was understandably alarmed. Perhaps this is what the meeting was about. We'll never know for sure.

The owner called upon the local sheriff, who invoked the powers of the government, and troops were dispatched to "protect" the mills and factories. These troops surrounded the valley where Sam Ludd was preaching, and when all was in readiness they opened

fire. The assemblage was slaughtered. The event is known as the “Luddite massacre.” It was understandable, in view of the educational and intellectual level of the times, that the conclusion drawn from this event by many thousands of persons was that the government had teamed up with the industrialists to hold working men in bondage.

From this event and from others of similar hue, a strange new doctrine began to emerge. It was called “anarchy” and it was the first in a series of organized bodies of thought which came later to be classed as “socialist.”

The “father” of the doctrine of anarchy was a British subject named William Godwin. We’ll have more to say about him later. Right now, it is only necessary to grasp the nature of the conclusions he reached and the line of reasoning he followed in reaching them. Godwin was a well-known novelist. And he had observed that men seek the good (he didn’t think in terms of profit motivation) but that they constantly reaped a harvest of evil. He sought a reason for this result in terms of some generalization. And at last he felt that he had found it.

Evil, as he finally saw it, was nothing more than man’s lust for property and money. Hadn’t the Bible indicated that money was the root of all evil? It was because of man’s desire to own money and property that every crime was committed. War, murder, robbery, extortion, theft, and all kindred crimes were nothing more than man’s lust for money and property asserting itself. Therefore, private ownership of property and the desire to own were evils in themselves, since they invariably led to evil.

But wait. That was only half the story. Who owned nearly all the property and money? Why, it was the men in government, the politicians. Therefore, it was government, which served to protect private ownership (witness the Luddite massacre), that was the first enemy. If there were no government, then no man would be able to own private property. And if no one owned private property, soon the lust for private ownership would fade away. We could all live in a kind of natural environment, such as reported in the Bible at the time of the Garden of Eden.

This is the peculiar characteristic of the early (classical)

anarchists. They had an objective, the abolition of private ownership, and a method of procedure, the abolition of the government. If governments could be abolished, no one could own property privately.

Actually, Godwin's analysis of the economic situation pertaining in his day was in error. What he was compelled to do was to take his findings from the past. And in feudal times, and even when the mercantilist system was flourishing, it was true that nearly all property was owned by royalty and nobility and others who were politically privileged. Godwin didn't see the major fact of his own time: that industrialism was already challenging this ancient economic order and was preparing the way for the movement of vast amounts of property into private hands and out of the control of kings and other politicians.

It was Godwin's arguments which were to be worded by many socialists from that day to this, seeking to establish that 80 percent of all property and money was owned by only 2 percent of the population. (The percentage figures used varied depending upon the socialist who was interpreting the message.)

Had Godwin interpreted his own time correctly, he might well have given his support to industrialism, and the entire history of the world could have departed from the course it has followed ever since. For it was industrialism that proved to have greater stability and greater potency than even the military might of kings. But since Godwin viewed private ownership as an evil cast in the terms of special privilege, he was hardly in a position to suppose that private ownership was a human right which better methods of production would expand and sustain. Certainly, he did not see that private ownership is *not* dependent upon political protection or privilege.

Godwin's ideas were picked up by various thinkers on the continent and later in America. In England, among those who accepted the argument were any number of social theorists who viewed any amassment of property as an indication of the extension of political evil. Among these was a man named Michael T. Sadler

In 1830, Sadler approached the Parliament in London, making, with the help of friends, a very serious charge against the mill and factory owners. He alleged that industrialists were virtually



subhuman in their greed. They would do anything to obtain a shilling of profit. They were forcing their workers to labor in unhealthy and dangerous factories. They had even taken in children and were beating them and chaining them to their benches. Wages were low and kept low by conspiracy among all employers. Hours were so long and the work was so hard that men and women and even the children were being crippled and maimed, their hopes of life shattered by cruelty and the thoughtlessness and greed of their employers.

Parliament listened aghast to these charges. They appropriated a sum of money and called for an investigation of child labor in the factories and mills of England. Mr. Sadler was placed in charge of the investigation, since it appeared that he had access to special knowledge in this area.

Sadler sent for people to come to London to report on conditions that existed in the factories to their knowledge. As it turned out, many of those called in to testify had been former employees of various industries. However, there were others including a number of ministers and a few doctors. The inquiry went on during the entire summer of 1830 and in the fall the appropriation had been used up. Everything Sadler had charged was confirmed!

At this point, Sadler caused the reports he had gathered to be edited and published. The published report caused a major sensation. The Sadler report clearly showed that the factories and mills were "hell holes" where slave labor was employed and where men and women were brutalized, as were the children, their wages kept low as a result of a private conspiracy in which all industrialists had joined in order to maximize their profits. It wasn't until the Sadler report was released that the industrialists learned that they had been made the target of an investigation in which not even a single industrialist had been called in his own defense!

The industrialists now approached Parliament and raised their voices in protest. As British subjects, were they not entitled to their day in court? The uproar reached the ears of King William IV, and now a royal investigation was ordered. This was a crown inquiry having the weight of a blue-ribbon grand jury in America. A

second appropriation was made, but this was not turned over to Mr. Sadler, nor to an industrialist. Rather, a carefully organized investigation began with qualified men chairing the inquiry, which was to cover all of England divided into various manufacturing districts.

Nor were witnesses asked to come to London. Instead, the investigators went out into the towns where the factories were, examined the conditions themselves, and took testimony from those who were working at that time in the factories and mills.

Immediately, it was learned that in the Sadler inquiry, the use of an oath had been by-passed. Former employees had been given free rein to state everything they pleased. Now, all those who came forward to testify were placed under oath.

This inquiry lasted for the better part of two years and the results from it were published in three supplemental reports, including expert testimony of ministers and doctors, the latter often the doctors used by employers in treating the ailments and accidents of workers. The findings from this supplemental report served to confirm the Sadler report only in minor ways. It was true that wages were never as high as the workers hoped. But there was absolutely no conspiracy on the part of employers to keep wages down. Also, the hours were long, especially if there was a rush order or during the summer months when daylight added to the length of the work day.

Certainly, it was true that working conditions were not necessarily ideal. And work was hard. But nearly all of those testifying indicated that they would prefer to work the hours they were than to work shorter hours if a curtailment of hours meant a reduction in pay. Contrary to charges that work in the factories was ruining the health of the workers, it was shown that the health of those in the factories and mills was every bit as good as that of those outside the factories. It was shown that employers were concerned about accidents and were trying to reduce them, learning to box in machinery. It was learned that only on rare occasions was anyone struck or beaten.

It was even found that in some places the employers at their own cost were putting in schools and providing playgrounds, especially

for the children. And the children were in good condition, flourishing as the children of pre-industrial England had never flourished. In short, the worst charges of the Sadler report were completely refuted.

But these supplemental reports created very little stir. It is all too easy for most of us to believe evil of our fellow man, particularly if our fellow man is doing well. Also, the report that industrialists were just as human as their fellows is hardly sensational. Whereas the report that employers are a special breed of subhuman brute is sensational.

The consequences we have reaped from these two investigations are curious, indeed. It is the Sadler report that has been repeatedly used as the base to justify both wage and hour laws in Britain and the United States. It is the Sadler report that appears to justify child labor legislation in both countries and elsewhere. Yet in the particulars that are significant, the Sadler report is in error.

Even Friedrich Engels, the co-author with Karl Marx of that bestseller, *The Communist Manifesto*, was to write, in *Conditions of the Working Class in England* in 1844, that the Sadler report "was emphatically partisan, composed by strong enemies of the factory system, for party ends. Sadler permitted himself to be betrayed by his noble enthusiasm into the most distorted and erroneous statements, drew from his witnesses by the very form of his questions, answers which contained the truth, but truth in a perverted form." Nonetheless, and even today, students who take advanced economic study in our major universities and colleges are asked to read the Sadler report, and information concerning the supplemental reports is almost totally lacking.

A hundred and fifty years have passed since these two reports were put together, and the damage to the prestige and reputation of businessmen and industrialists is monumental. The public at large still hates the industrialist and fears his "power," when in fact it is the production of the industrialists that has changed the face of the world and improved the lot of man by such lengths that it is probable that the Industrial Revolution is the single most significant development since men first emerged from the jungles.

We are not trying to suggest that industrialists are angels and

sublimely motivated. Quite the contrary. They are men and, unfortunately, all too prone to run to the government to get their problems solved. This is a practice that has grown apace of late and is not confined to industrialists but is now the practice of virtually everyone, singly and in pressure groups of every description. Businessmen are motivated by the search for profits just as workers are. We all want better things out of life, better jobs, better conditions generally. But we'll never get them until we begin to learn that the source of our benefits is the market where production and distribution ensue, and that the source of much of the evil we have to contend with is the imposition of naked power wielded by politicians, who, however well-meaning, invoke the law in an effort to prevent the flourishing and flowering of private capitalism. Yet it is private capitalism that serves the masses best and provides for them the things they want that make life worthwhile.

## Chapter 11

# The Robber Barons

In dealing with the economic myths that seem to disturb many people, the question is invariably raised: “But what about the ‘Robber Barons?’ If we had a free market, wouldn’t we end up with a bunch of unscrupulous individuals who would try to take over the entire economy? How about the John D. Rockefellers, the Henry Fords, the J.P. Morgans, and the like?”

If we want to see just what these “Robber Barons”—as their detractors refer to them—did do and did not do, we ought to go to two different sources: *favorable* biographies written about these men, and *unfavorable* biographies. Certainly, the favorable biographies will tend to present the good side of these men, while the unfavorable ones will seek to expose any and all bad traits.

In reading the “bad” things that have been said about the “Robber Barons,” we find a recurring pattern of criticism, one which takes the following form: “These men became ‘filthy rich,’ they were ‘unscrupulous,’ they spent their money ‘lavishly,’ and they had ‘bad taste.’ ” Throughout one critical biography after another, one finds this same consistent criticism. Let us examine its base.

*These men became filthy rich.* We are, supposedly, asked to condemn the “Robber Barons” because they were successful. Men like Rockefeller, Ford, Carnegie, et al., *did* become very rich. Are

we to condemn a condition of freedom because some men are able to enrich themselves under it?

*They were unscrupulous.* What does this tell us about these men? “Unscrupulous” in what sense? Did they steal? Set fire to their competitors’ factories? Did they enslave their employees?

In examining the practices of these men, we *do* find a consistency in their behavior: they made money through a practice of offering *lower* prices to the consumer than what their competition was charging. These men are to be condemned, then, because they got rich by offering the consumer a “better deal” than he could get elsewhere.

*They spent their money lavishly.* Again, so what? Whose money was it to spend? Are we, again, to condemn a situation of freedom because some men like to throw *their* money around? Of course, the people who criticize the “Robber Barons” for allegedly “throwing” *their own* money around, will invariably heap praise upon politicians who make a practice of throwing *other people’s* money around.

*They had bad taste.* How often have we heard it said that “so-and-so was a real bad man because he got very rich and then went out and built a rococo-style house in mid-Manhattan.” Again, so what? If this is to be a criterion for judging men, then what are we to say about the exponents of “modern art” who lavishly “throw their paints around” in what many consider to be *very* bad taste? If we are asked to eliminate economic freedom because of the alleged bad taste of a few persons, shall we also eliminate artistic freedom when we see a painting we don’t like or freedom of speech when we hear something we consider in bad taste?

To help understand the psychological makeup of the critics of these industrialists, one should read a book by Ludwig von Mises, *The Anti-Capitalistic Mentality*. In this book, von Mises points out that in a society where every person is rewarded on the basis of his accomplishments, some men will achieve higher levels of success than others, leading to a feeling of frustration on the part of those who failed. As von Mises then adds:

In order to console himself and to restore his self-assertion, such a man is in search of a scapegoat. He tries to persuade himself that he failed through no fault of his own. He is at

least as brilliant, efficient, and industrious as those who outshine him. Unfortunately, this nefarious social order of ours does not accord the prizes to the most meritorious men; it crowns the dishonest, unscrupulous scoundrel, the swindler, the exploiter, the "rugged individualist." What made himself fail was his honesty. He was too decent to resort to the base tricks to which his successful rivals owe their ascendancy. As conditions are under capitalism, a man is forced to choose between virtue and poverty on the one hand, and vice and riches on the other. He, himself, thank God, chose the former alternative and rejected the latter.

To help in an understanding of the "Robber Barons," let us briefly consider a few of them. One thing to be kept in mind as we proceed, is that our purpose here is neither to whitewash nor to condemn these men, but rather to see just how they did behave in the marketplace and, further, to see just how strong the marketplace is in being able to resist any effort to "control" it by any number of men.

Let us begin with John D. Rockefeller. Here is, perhaps, the most discussed of the so-called Robber Barons. Rockefeller founded and developed the Standard Oil Company and, needless to say, became very wealthy in the process. As with the other men we will discuss, we find that Rockefeller had a simple formula for making money: offer the customer a product he wants at a price lower than the competition.

It would appear that the critics would have it both ways. "The Robber Barons," it is alleged, "seek to get rich by gouging the public with high prices." But, when the evidence shows that their pricing practices were to seek to *lower* their prices, then the argument becomes, "Yes, but that was only a temporary situation. What men like Rockefeller were trying to do was to lower their prices in order to drive out their competition, and *then* they would raise their prices."

In fact, the argument has been pretty well accepted by many people that Rockefeller and the Standard Oil Company tried to get complete control of the market through a systematic program of "predatory price-cutting." This program was, supposedly, to work like this: since Standard Oil had so much money, they could afford

to cut their prices and sell gasoline at prices which would drive their less-wealthy competition out of business. Then, once rid of their competitors, Standard would have complete control of the market and could charge any price it wanted.

Even though this argument has, as stated earlier, received widespread popular acceptance, it is totally untrue. It has been well demonstrated that a program of “predatory price-cutting” is most unprofitable to a firm undertaking it. It would be more profitable to simply attempt to *buy out* one’s competition rather than attempting to drive them out of business in the way alleged.

For a very thorough and informative account of the Standard Oil antitrust case, and an explanation as to why predatory price-cutting is unprofitable, see an article by John S. McGee, “Predatory Price-Cutting: The Standard Oil Case,” *Journal of Law and Economics*, published by the University of Chicago Law School, October, 1958. As the article by McGee points out, the evidence brought out in the Standard Oil antitrust case clearly establishes no support for the proposition that Standard Oil undercut its competitors’ prices. In fact, evidence appears to be to the contrary: that Standard’s *competitors* undertook price-cutting practices against Standard!

All this is not meant to suggest that Rockefeller would not like to have had a monopoly in the petroleum business. In fact, he made a determined effort to buy out as many of his competitors as he could, offering them very attractive prices. As a result of these mergers and consolidations, Rockefeller was able to claim between 80 and 90 percent of the refinery capacity in the United States. But even with this sort of a position in the market, he still had a great deal of formidable competition to contend with, including such well-known firms as Continental Oil, Sinclair, Pure, Shell, Sun Oil, and others.

The only way men like Rockefeller—and the other “Robber Barons”—were able to make money in the market was to seek to operate in a more efficient manner so as to be able to lower their prices to the consumer. Rockefeller did no *harm* in the market. Quite the contrary. But the point to be emphasized here is not the motive that Rockefeller may or may not have had, but rather the effectiveness of the free market in guaranteeing that a man like Rockefeller could succeed *only* so long as he served the market.



Another of the so-called "Robber Barons" was Henry Ford. Like Rockefeller, Ford made his money by offering his product at a lower price than competitors. Ford is, of course, well-known for introducing the system of mass production into the automobile business. He is also known for his policy of raising wages to \$5.00 a day where \$8.00 per week was normal. He paid more, not because of an overriding desire to help workers, but rather in order to be able to attract the best workers possible. (This incident, by the way, ought to be kept in mind in any discussion regarding the causes of increased real wages for workers.)

Ford's desire to increase efficiency, in order to lower the price of his automobiles to the public, was of such magnitude that, as Garrett Garet points out in his book, *The Wild Wheel*, in 1925 and 1926 the Ford automobile was, pound for pound, the cheapest metal that could be bought on the market—including junk metal. (A Ford automobile sold for \$236, while the equivalent weight in junk metal sold for \$237!)

A man who was able to offer the public a form of transportation more cheaply than a junk dealer could offer them scrap metal, should hardly be looked upon as the "sinister" sort of character which the "Robber Barons" have been painted as being.

Andrew Carnegie—the cornerstone of the steel industry in the United States—is another man who fits into this same category. Carnegie, who was primarily a financier, had a tremendous capacity for attracting innovators (such as Charles Schwab) to his side. As with the other "Robber Barons," Carnegie made his money by selling his steel at a lower price than his competitors.

Many interesting anecdotes are told about Carnegie. One of them—whether true or not—involved a socialist who came into Carnegie's office and began berating Carnegie for his wealth. "You have gotten rich by exploiting your workers," "you have stolen from the public," "you have more than your 'fair share,'" etc., were the insults hurled at Carnegie. "You ought to have your wealth taken from you and divided up among your fellow men," the socialist added.

Carnegie turned to his assistant and asked, "Approximately what is my net worth?"

His assistant, after a short pause, gave him a figure.

“What is the population of the United States?” Carnegie asked. The assistant gave an approximate answer.

Carnegie then divided one figure into the other and determined that if his wealth were divided up equally among all Americans, each would receive 78 cents. Carnegie reached into his pocket, pulled out 78 cents, gave it to the socialist and said, “There, you have *your* share. Let’s not hear from you again.”

Another man usually condemned in the same breath as those above was J. P. Morgan. As a financier, Morgan had an uncanny talent for figuring out which businesses would succeed and which would fail. As a consequence, he became the central figure on Wall Street, and was very able at putting together sums of money for investment purposes.

One story told about Morgan involves a panic that had begun on Wall Street as a result of government action. This panic threatened to tear Wall Street apart, but Morgan got the leading financiers together and told them that the entire thing would “blow over” in a short time *if* people on Wall Street would just keep cool heads and not panic. His associates listened to Morgan and, as a result, a serious economic collapse was averted.

Another outstanding industrialist was J. J. Hill. Here was a man, the son of a Canadian farmer, who came to the United States with no money to his name, began as a freight hustler in St. Paul, Minnesota, and ended building a railroad from St. Paul to the Pacific northwest—the Great Northern.

Like the others, Hill saw that his opportunity for making money consisted of offering transportation to the West Coast at a lower price than other forms of transportation. Hill was also enough of an entrepreneur to be willing to build his railroad *himself*. In fact, the Great Northern Railroad was built, from St. Paul to Seattle, entirely in the marketplace, without the benefit of eminent domain, government subsidies, or government grants of land! The result was that, while the government-subsidized railroads were going bankrupt and operating in the red, the Great Northern was a profitably run line.

In the process of building his road, Hill had to buy up rights-of-

way from landowners. In one small town in North Dakota, the townspeople saw what was coming and decided to try to take advantage of Hill. When Hill asked them if they would sell some of their land so the railroad could go through their town, the townspeople replied "Yes," but then demanded an exorbitant price. Hill said he wouldn't pay that high a price.

The townspeople replied, "You will if you want to come through our town."

Hill replied, "That may very well be, but I don't have to go through your town." And he didn't. He skirted the town and continued west, and the town that tried to take advantage of him was without a railroad.

We do not mean to create the impression here that the industrialists who were the creative force of our American economy were "angels." Not at all. There were many businessmen, such as those who organized the Central Pacific Railroad in California, who were downright harmful persons. These men, Charles Crocker, Mark Hopkins, Collis Huntington, and Leland Stanford, the "Big Four," as they were called, took control of the state government in California and used the force of law to control the market for their own ends.

They saw to it, for example, that no other railroad could operate in the state of California, managed to get other favorable legislation passed and, in the final analysis, maintained a power structure in which the Central Pacific Railroad (later, the Southern Pacific) and the government of the state of California were one and the same thing.

The "Big Four" *knew* the only way to get a monopoly was to forcibly prevent the entry of competition, and they got legislation passed to assure that objective. But note the difference here between the "Big Four" and such men as J. J. Hill. While the Great Northern Railroad operated in the *marketplace*, in a situation of free competition, the Central Pacific insisted on operating in a *coercive* fashion, forcing the people of California to either do business with *them* or with no one.

The important thing to be kept in mind, then, is this: as long as coercive machinery—such as political government—is given public

sanction to operate in restriction of the marketplace, firms like the Central Pacific (or any other) will be in a position to seek to use that coercive machinery for their own interests. It will do no good to simply consider the motives or the personality traits of any group of businessmen, or to suggest more ethical practices within the business community. So long as men continue to approve of the idea that governments should exist in order to permit some men to impose their will upon others, political machinery will continue to be used to advance the vested interests of whoever can get the ear of the politicians. The result will be an economy governed *not* by the desires of consumers, but by the demands of pressure groups.

The industrialists who made up the “Age of the Robber Barons” may or may not have been above using coercive means had those means been abundantly available to advance their interests. This is not the point. The lesson to be learned is that so long as men concentrated their energies in the *marketplace*, the consumer reigned supreme, and the industrialists had no choice but to find a better way of providing the American people with what they wanted, or go out of business. The consequence was an expanding *economy*, in response to consumer demand. But when men begin concentrating their attention upon obtaining a *coercive* advantage over their competitors, or forcibly depriving the consumer of any advantage he might get from a more efficient producer, then the politician gains supremacy, with the consequence of an expanding *bureaucracy* in which businessmen, labor unions, consumers, et al., compete with one another for political favor, and seek to counter one man’s competitive advantage with a legal restraint.

## **Chapter 12**

# **The Great Depression**

The period of the 1930s is referred to as the time of “Great Depression,” mainly for two reasons. The effect was worldwide and it lasted for almost ten years. (Some economists state that we never really recovered economically—that we are still subject to the effects.)

What do we hear and what is generally taught about the period immediately preceding the depression? The years from 1921 to 1929 are referred to as the “Roaring Twenties.” Economically and market-wise, we are told, laissez-faire was the theme. Businessmen had free rein to do as they pleased. A free market prevailed and there was little or no government interference with private industry. In fact, the political parties in control were regarded as very friendly to big business. The businessman, therefore, was free to operate in his own fashion, to make his own decisions. Also, after the end of World War I the United States had been regarded as having maintained a policy of non-intervention, of isolationism, of minding its own business and not involving itself in the affairs of foreign nations. We will explore these generally-held opinions.

One of the most common arguments used against supporters of a free-market economy goes something like this:

During the 1920s the businessman had everything to his

liking. He was not interfered with by government. In fact, Wall Street (big business) pretty much had its own way. As a result, with businessmen unrestrained, free to consider nothing but their own profit, the structure of the entire economy collapsed and the entire world suffered. Laissez-faire had its chance in the '20s and proved itself an unworkable system. For the good of the public, controls by government must be exercised over the business community or we will face utter ruin.

We've all heard this sort of critical commentary. Let's see if it has any basis in fact. Let us initially direct our attention to the non-intervention, isolationist, pro-business attitude that government is claimed to have held.

In the late nineteenth century, Theodore Roosevelt had the reputation of being a strong nationalist. Thomas C. Cochran states in his book *The American Business System*:

The nationalists, such as Albert Beveridge, John Hay, and Theodore Roosevelt, influenced among others by Brooks Adams, attacked the existing order from an angle that presaged some of the shifts in opinion of the mid-twentieth century. To them the elements of the "business culture" should be secondary to the fact that Americans were a "conquering race." Continuing this argument Beveridge proclaimed: "We must obey our blood and occupy new markets and if necessary new lands." On another occasion he besought "an English-speaking peoples' league of God for the permanent peace of this war-torn world." Roosevelt said: "No national life is worth having if the nation is not willing to stake everything on the supreme arbitrament of war, and to pour out its blood, its treasure, and tears like water rather than to submit to the loss of honor and renown.

The placing of business virtues and values in a secondary position is important in understanding the ethical development leading to the Depression.

The year 1913 holds particular significance for us in this study.

Three events occurred during that year and two of them have direct bearing on our present deliberations.

- (1) The Federal Reserve Act became law (December, 1913).
- (2) The ratification of the 16th Amendment established the present income tax structure.
- (3) The ratification of the 17th Amendment changed the method of electing U.S. senators. They were previously appointed by vote of the state legislatures. The 17th Amendment provided for senators to be elected by popular vote.

One of the primary arguments offered in support of the Federal Reserve System was that it would be an effective tool to *prevent* depressions. By controlling credit and money issuance, it was argued, the government could direct the economy and maintain a "balanced" condition.

A recessionary period, which is usually expected after a war, did not take place after World War I. The war ended on November, 1918, just prior to the Thanksgiving-Christmas holiday period. This time of year is traditionally the most active in retail merchandising. Coupled with the release of pressure by the war's end, the return of servicemen to civilian status, and the general feeling of exuberance, the economy underwent a strong upsurge in consumer buying. Consumer spending was strong enough to forestall the recession until 1920. We then went into a slight depression which lasted about eighteen months, until mid-July. The rapid recovery is attributed to the hands-off policy of government at the time.

Murray N. Rothbard, in *America's Great Depression*, shows that through 1921, the federal government's attitude toward meddling with periods of business crisis was consistently one of laissez-faire. This was true in 1819, 1837, and subsequently in the late nineteenth century and early twentieth century. Although there was a greater degree of intrusion by the government in 1920 and 1921, wage rates were untouched and did fall to a market level, and government spending and taxes were reduced. Dr. Benjamin M. Anderson has

referred to this as the last *natural* economic recovery this country has made.

After World War I, Herbert Hoover's ideas and influence became more and more pronounced. He was appointed by President Wilson to direct a conference on labor-management relations from 1919 to 1920. This was done in association with the Secretary of Labor, William B. Wilson, who was a former official of the United Mine Workers of America. The conference was attended by some of the foremost industrialists of the day, labor leaders, and economists. The forthcoming recommendations urged greater collective bargaining, the abolition of child labor, a national old-age insurance program, a shorter work week, government arbitration for labor disputes, and several other suggestions requiring federal intervention into the economy. The recommendations of the conference were considered to be consistent with Hoover's views. Hoover was appointed Secretary of Commerce in 1921 and later made the following statement regarding committees he set up during his term:

We developed cooperation between the federal, state, and municipal governments to increase public works. We persuaded employers to "divide" time among their employees so that as many as possible would have some incomes. We organized the industries to undertake renovation, repair, and where possible, expand construction.

It would seem that the generally-accepted impression of the 1920s as being a period of laissez-faire, free-wheeling, open-market operations without government intervention is somewhat contrary to the facts.

Notable during the 1920s are the activities of the Federal Reserve System. The most influential bank in the system was the Bank of New York, and the governor of the Bank of New York was Benjamin Strong. The governor of the Bank of England was Montagu Norman, who was appointed to that position during World War I. Apparently Strong and Norman developed a close relationship dating from this time.

The Bank of New York and the Bank of England kept in close



contact by way of weekly exchanges of private cables. Largely through Strong's influence, the United States entered into an intentional policy of controlled inflation. This was accomplished by a credit expansion policy; it was "successful" in raising American price levels in relationship to Great Britain's and in lowering American interest rates, and by 1925 the adjustment between sterling and gold prices was considered sufficient to resume payments in specie.

Later, in 1928, when tremendous speculation in the stock market was showing dangerous signs, Strong disagreed with the suggestion of an open, formal conference of world central banks. He said the general public was unaware that the problems of the stock market were a direct result, or the "penalty," of decisions reached in 1924 to aid the rest of the world back to a sound financial basis. Strong died before the market crashed in 1929 and never knew the full consequences of his high-handed, bureaucratic meddling.

The recession of 1920-21 had been followed by a long, uphill climb. A general feeling of optimism prevailed. Industry was producing at ever-increasing levels, jobs were plentiful, more goods and services were available than ever before, and they were made accessible to the average wage earner through greater availability of credit. The temper of the times was to "live it up." Enjoy now, pay later. Anything and everything in the marketplace was obtainable on "easy terms." The credit expansion policies of the early twenties resulted in an outpouring of manufactured goods and increased credit filtered down through the economy to distributors, to dealers, to retailers, and ultimately to the consumer. Consumer goods, land, everything was there for the signing of a promissory note.

Due to the ease of making purchases without the effort of prior saving, the buying public was vulnerable to all sorts of "pie-in-the-sky" schemes. Typical were the promotions to sell land. Individuals eager to own their own land were sold property that they never bothered to investigate. A notorious illustration is the swamp land in Florida, sold to buyers all over the country. It was sold as land in "sunny Florida," but no mention was made that it was under several feet of water. Comedians of the day referred to this in their routines: "I just got good news on one of my

investments. They discovered land on my property.” But all this was taken in a light vein, for it was only money and money was nothing but slips of paper and it was relatively easy to come by.

The “easy payment plans” really got their start in the twenties. Never before in history have so many things been available and so easy to come by. The big lure was in the stock market. Here was a way for the average American wage earner to become an investor and owner of industry. Here was the opportunity for any man, with a little luck, to become wealthy in a very short time. And many fortunes were indeed gained in such a manner.

Everywhere one could hear stories of how much money so-and-so made in the market. “Make a killing on Wall Street” became the theme of the day. Here in the stock market, more dramatically than anywhere else in the economy, did the concept of installment buying exact a devastating toll.

Buying on credit in the stock market is referred to as “buying on margin.” It worked in this manner: A buyer could purchase stock with a down payment of 10 to 20 percent. The motivation for “margin” purchases was understandable. Let’s say a particular stock was selling at \$100 per share. Given a man who had \$1,000 to invest, he could purchase 10 shares outright at \$100 each. If the stock proceeded to rise to \$110 per share in, say, ninety days, he would have realized a profit of \$10 per share for 10 shares, or a gross profit of \$100 on a \$1,000 investment. (This illustration assumes the stock is sold at the \$110 figure, and does not account for brokerage fees, taxes, etc.)

The same man, instead of paying for the stock in full, could have bought on margin. In this case, for the same \$1,000 he could have paid 10 percent down on 100 shares at \$100 per share. Then, at the end of the same ninety-day period, he would have received a \$10 profit on 100 shares instead of a \$10 profit on 10 shares. His earnings, or gross profit, in the margin purchase would be \$1,000 as compared to \$100 in the first illustration. So if he paid in full, he would have made 10 percent on his investment; by buying on margin, he would have doubled his money.

It is important to remember at this point the great amount of optimism prevailing. The market was looked on as a constantly

rising thermometer, with no limit to how high it could be expected to rise. The "investors" (buyers on margin) who calculated in this way were not necessarily the wise, astute financiers of Wall Street. They were persons who had little or no knowledge of the vagaries of the market. Many could not understand a company prospectus or, indeed, did not know that such a document existed. These people should properly be identified as speculators. Or better still, so as not to confuse them with knowledgeable businessmen who speculate in the market through a rigid process of reasoning, a better term might be "gamblers." They bought stock on whims, notions, and tips from brokers and friends. An indication of the background of many a stock purchaser was seen in the inquiry received by a broker from a customer as to whether Cuba Cane (largest of the Cuban sugar companies at the time) was or was not a corporation dealing in walking sticks and crutches.

Adding fuel to the optimistic and enthusiastic fire was the constant flow of statements of assurance from "usually reliable sources." Government officials repeatedly said that the economy was strong and the future held nothing but abundance. Economists and bankers generally joined in this form of soothsaying. There were a few who spoke out and warned of the economic imbalances and called for fiscal frugality, but the tempo continued to be "let the good times roll."

There was an effort by the Federal Reserve Board in 1926 to curtail credit and slow inflation. They moved to raise the interest rate. A great roar of protest arose as a result of this. People began to grumble that this was another move by the Wall Street interests to cut the little man out of participating in the market boom. They went to their congressmen and senators and demanded that credit restrictions be softened. The 17th Amendment had been passed in 1913, wherein the election of senators was changed from selection by the state legislatures to a popular vote. The senators, along with other elected representatives, ever mindful of the pressures of the upcoming elections, put pressure on the Federal Reserve Board. Interest rates were lowered and the inflated boom roared on.

The Federal Reserve Board acted again in early 1929 to forestall the panic. It pumped some \$300 million into the market in an at-

tempt to reassure bankers and bring some stability into the market. This was a case of too little and much too late.

The prime ingredient for sustaining any monetary system or economy is *confidence*. As long as the people trust the money they are using, it will serve satisfactorily. And as long as investors have confidence in the market, it will continue to flourish. But remove the confidence and the structure will come tumbling down. Keep in mind that the bulk of the investment in the stock market was "on margin." Therefore, if there were any indications of stock values dropping, they (the investors on margin) had to get out, sell in a hurry, or stand to lose everything.

This condition is similar to sitting on a powder keg and smoking a cigarette. You never know when it might explode and the longer you sit there, the more nervous you become. Finally, if a car backfires in the next block, you become frightened, jump up, and drop your cigarette, and the powder keg goes off. Now, if others are sitting all around you on similar powder kegs and are just as nervous, the chain reaction is devastating.

In October, 1929, the stock market suffered a chain reaction. Credit had been strained to undreamed-of limits. Financial institutions were under tremendous pressures. Everyone knew how volatile conditions were and that a spark would ignite a selling explosion. So-called "smart money" began leaving the market and a confidence drain began. Time magazine reported on November 4, 1929:

Promptly at 10 a.m. on Thursday, October 24, sounded the gong of the New York Stock Exchange and 6,000 shares of Montgomery Ward changed hands at 83 — its high for 1929 having been 156. For so many months people had saved money and borrowed money and borrowed on their borrowings to possess themselves of the little pieces of paper by virtue of which they became partners in U.S. industry. Now they were trying to get rid of them even more frantically than they had tried to get them. Even in a panic-market, someone must buy the "dumped" shares, but stocks were dropping from 2 to 10 points before a buyer could be found. At around noon there came the no-bid menace. It looked as if U.S. industries'

little partners were in a fair way to bankrupt the firm.

Then at 1:30 p.m., a popular broker and huntsman named Richard F. Whitney strode through the mob, made swiftly for Post No. 2 where the stock of U.S. Steel Corporation, most pivotal of all U.S. stocks, is traded in. It was now at 190. If it should sink further, panic might surely take command. Loudly, confidently, broker Whitney made known that he offered \$205 per share for 25,000 shares of Steel. Soon tickers were flashing the news. More and more steel was bought until 200,000 shares had been purchased. Other buyers bought other pivotal stocks. Brokers and traders agree that the man who bid \$205 for 25,000 shares of Steel had made himself a hero.

Despite the rapid Thursday afternoon recovery, the low point of the swinging pendulum cut off many a speculative head. Wild were the rumors of ruin and suicide. Roaring was the business done by downtown speakeasies. Soundly anticlimactic was the remainder of the trading week.

But now the unsuccessful bears made Monday, October 28, a day of fresh disaster. Over the weekend many an investor had fully realized the necessity for an immediate exit from the market. Thus the session, opening with an accumulation of selling orders, was hopeless from the start. Again broker Whitney haunted Post No. 2, but this time Steel broke through 200, reeled down to 186. A.T. & T. fell 24 points; General Electric, 47; Eastman Kodak, 41; etc; etc; etc.

By Tuesday morning the suspicion that there might be a panic had turned to the apprehension that there *was* a panic. Tuesday brought a quota of cheerful utterances. President Hoover said that U.S. industry was on a sound basis. But the almost incredible number of 16,338,000 shares were dumped that day as if they were so much junk. Would the nightmare, to many tragically cruel, never end?\*

The bubble had burst. The question now confronting the nation

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was, what to do about it? President Hoover, a lifelong advocate of cooperation between business and government, took the reins firmly in hand and proceeded to take direct action.

A series of conferences took place after the crash. On November 18, the government called a meeting of the presidents of the major railroads and got them to agree to a program of expansion, construction, and maintenance.

On November 21 two conferences were held. One was a meeting of the nation's leading industrialists. Men such as Ford, Alfred Sloan, DuPont, Rosenwald, and Teagh were in attendance. Hoover stated that unemployment had already reached between two and three million, and insisted that the "first shock must fall on profits." The others agreed and pledged to expand construction programs.

The second meeting on November 21 was held by the government with labor leaders. The president asked for cooperation and a pledge that labor would not press for wage increases. In return the government would promise to try to maintain wages at present levels. The unions quickly agreed. At that time only about 7 percent of the labor force was unionized, and unemployment was on the increase. Certainly the unions were in no position to bargain for a "wage floor," which could only be accomplished by government intervention. Even after this pledge of cooperation, on November 27 William Green wrote his organization affiliates that his promise was not binding on them and that they were free to seek higher wages.

Since his early days as mining engineer, Hoover was of the opinion that high wage rates insured purchasing power to buy products and was the key to a flourishing economy. Apparently he never did learn that his economic theory was upside down and that the reverse is true. However, it was this conviction that prompted him to recommend action in several areas. Subsequently the government, from 1930 on, did the following:

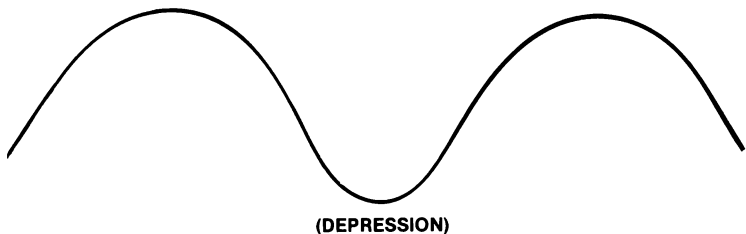
- (1) Prevented or delayed liquidation, lent money to shaky businesses, and got banks to do likewise.
- (2) Inflated further. This blocked the necessary fall in prices thus delaying the clearing of the market. Also, further

credit expansion created more of the same mal-investments that created the problem in the first place.

- (3) Kept wage rates up, thus insuring greater unemployment. Also, when prices were falling, the same wage rate meant that real wages were actually going up, thus, aggravating unemployment problems.
- (4) Kept prices up. Prevented clearing of the market, maintained unsalable surpluses.
- (5) Stimulated consumption and discouraged saving, thus distorting savings/consumption ratio. Further consumption distorted it even further, aggravating the already short supply of saved capital.
- (6) Subsidized unemployment. This prolonged unemployment, and delayed the shift of workers to fields where jobs were available.

So, in moving to eliminate the depression, the government's activities were actually serving to prolong and aggravate it.

Economically speaking, a "depression" is an adjustment period of the business cycle. It is the "valley" of the undulating curve. It is the point where adjustments are made in the economy to offset the investments, both good and bad, that were made at the "peak" periods. It is a *healthy* process—provided it is left alone. If the marketplace is not interfered with, if business is free to lower prices to the point where the merchandise can be sold—to "clear the market"—then a period of depression need not be feared and need not be of long duration. In fact, it is to the advantage of the consumer and the producer alike to arrive at a point of trade.



One of the most commonly held fallacies concerning the depression is that businessmen (manufacturers), interested solely in grabbing as much profit as possible, produced an excess of goods. The market then became glutted with too much merchandise. Workers were laid off due to the lack of sales and, as a result, the market suffered further declines, because the workers had lost their purchasing ability. So the culprit responsible for the depression was presumed to be the greedy, profit-seeking businessman.

The error in this bit of economic nonsense is that “over-production” is an impossibility! If a manufacturer produces too much of his product at a given price for a specific market, he need only do one or both of the following: 1) lower the price; 2) broaden his market. But businessmen at the time of the depression didn’t pursue either of these courses. The reason they didn’t was that sources of investment capital (banks) were willing to loan money at interest rates which indicated a strong consumer market and ability to purchase.

A producer bases his judgment on two prime factors: the desire for his product and the ability to purchase it. The interest rate charged by banks indicates the financial community’s confidence in the market and its confidence in investment or production. The entrepreneur uses the interest rate as an index to decide what to produce and when to produce it. With the government’s interference with the money supply via the Federal Reserve system, the interest rate index was no longer an accurate reaction to the market. Rather, it was an interest rate pegged by political expediency. So producers made their decisions based on inaccurate data. They produced for a market with an ability to pay that was not really there.

Further, after the market was over-loaded with goods, the businessmen heeded the demands of the government and maintained wage floors and prices. Consequently, the market ground to a halt. The business cycle was not allowed to flow through the “clearing” stage. Wages and prices were not allowed to react to the market’s requirements.

Another condition existed which gave the appearance of “over-production.” With the contraction of consumer credit and a



decrease in employment, a great many who had purchased goods on a time-payment plan found themselves unable to make the required monthly payments. Consequently a large amount of merchandise was repossessed, or taken back, by the merchants. This action caused a reverse flow of goods (from consumers to merchants) and greatly increased inventories, in addition to the shipments received by merchants from the manufacturers.

In the 1930s, consumers, producers, agriculture, and business, almost universally, demanded government controls as a means of solving the problem. But this is what *created* the problem. The answer was and is: Leave the market alone and it will heal itself.



## Chapter 13

# Competition and Monopoly

Many people express a fear that, in a totally free market economy, businessmen would have a tendency to seek to restrict competition, to engage in all sorts of cartels, trusts, mergers, price-fixing arrangements, and the like, with the result that, in time, the entire economy would fall into the hands of a small elite group of businessmen who would then proceed to raise their prices at will, without concern for competition, and all to the detriment of the consumer. We need to examine this area and see just what the nature of the marketplace is, regarding any tendency toward monopolies, and to see if the fears expressed are well-founded.

To begin with, it seems necessary to define what we mean when we are talking of “competition” and “monopoly.” In the first place, the two words are mutually exclusive. That is to say, we define “competition” as existing whenever a particular business does *not* enjoy a monopoly, and a “monopoly” is defined as being the absence of competition. When a customer has no alternative but to do business with a particular individual, we define the latter person as a “monopolist.” If, on the other hand, the customer *does* have an alternative means of satisfying his demands, competition is defined as existing.

We can break “competition” down into four main types, as follows:

*Direct competition* is what exists whenever two or more firms are engaged in the same business, supplying the same product. For example, Ford Motor Company, General Motors, and Chrysler are in "direct" competition; so, too, are the *New York Times* and the *Wall Street Journal*, as are U.S. Steel, Bethlehem Steel, and Youngstown Sheet & Tube. The competition, here, can be described as *product* competition, in that the same type of product is being offered by each producer.

*Parallel competition* exists whenever two or more firms are engaged in businesses which seek to provide the same *service*, but through a different type of product. Here, for example, we would find steel, aluminum, concrete, and lumber competing as "building materials;" a railroad, airline, and bus company would be competing in the area of "transportation;" a radio station, newspaper, television station, and billboard company would all be competing in the field of "advertising."

Parallel competition exists whenever the customer can substitute one type of product for another, in order to satisfy the same basic demand that he has. If, for example, a man constructing an office building found steel too expensive, he might shift to aluminum. It should be pointed out that parallel competition is probably a more important area of competition than is direct competition, in that our ability to shift from one type of product to another in order to satisfy our demands provides us with a broader range of choices than simply shifting from one producer to another where the product is the same.

*Dollar competition* is the broadest category of competition, and operates on the principle that every businessman is in competition with every other businessman for the patronage of consumers. For example, you have \$50.00. You are trying to decide whether to spend that \$50.00 at a concert, on a fine steak dinner, or on a garment. What this means is this: you can spend this \$50.00 only once, and the theater, the restaurant, and the clothing store are all competing with one another to get your business. To point out the effectiveness of this type of competition, imagine that you have decided that the \$50.00 should be spent on clothing but when you arrive at the store, you find the item you want is priced at \$60.00.

Now, you may very well decide to shift your preferences away from the clothing and in the direction, perhaps, of the restaurant.

*Invisible competition* is a constant factor in the market. There are, in this country, thousands upon thousands of businesses that have no direct competition whatsoever in the market they serve. In almost every small town throughout America, there exists one grocer, or one drug store, or one gasoline station, or one barber shop. None of these businesses has to concern itself with what its competitors across the street are doing, for these towns are usually too small to support more than one such business. But if you go into one of these small-town grocery stores, for example, you will find that the service and the prices are about the same as in towns that do have three or four grocery stores in them. Why do these small-town grocers not try to take advantage of their sole position in the market and raise their prices sky high? After all, people do need groceries, and the grocer might figure he could charge about what he wanted. Why doesn't he?

Businesses in this position do, in fact, face competition. It is what is known as "invisible" competition. The small-town grocer behaves as though he did, in fact, have "direct" competition, because he knows that if he ever tries to take advantage of his position, someone else may very well move into that market and go into direct competition with him by offering lower prices to the consumer than what the first grocer was charging. A business which has no direct competition, then, will act as though it did have competition, because if it does not, it will end up with some direct competitors.

This type of competition is no idle supposition; it is very real. A classic case involved the Alcoa Company which, for many years, was the sole producer of aluminum in this country. But Alcoa did not try to take advantage of its position by keeping its prices up. On the contrary, it maintained a very efficient operation, and was able to keep lowering its prices. In fact, in 1888, Alcoa aluminum sold for \$8.00 per pound. By the 1930s, its price was down to twenty cents per pound. The Alcoa people knew that if they ever tried to take advantage of their position, someone else could very easily move into the market and begin producing and selling aluminum,

and, consequently, this company continued to operate as efficiently as possible and to behave *as though* it did have direct competitors.

It should also be pointed out that any of the above *types* of competition can take two basic *forms*. One involves competition in the area of *price*, the other in the area of *quality*. In fact, in order to compete effectively, every business must seek to keep its prices *low*, and its quality *high*. The reason for this is, of course, basic: the customer will take his business wherever he can get the *most* for the *least* amount of money.

In a day when we are accustomed to viewing "competition" strictly from the viewpoint of "price," it is important to emphasize the role that "quality" plays, as well. Many firms do a very successful business, even though they are at a disadvantage, price-wise, in the market. An excellent example of price and *quality* competition is found in many of today's filling stations. Some pumps at a given station will be marked "Self-Serve." Others will proclaim: "Full Service." If a driver stops where the "Full Service" sign is displayed he may be called upon to pay as much as 12 or 13 cents more per gallon than if he stopped at a different pump *in the same filling station*.

But the operator of any such station will tell you that some of his customers persist in paying more, so they can have service. Others prefer to pay less and do their own servicing. Likewise, you can easily find a restaurant where a steak dinner can be purchased for \$5.00. Why, then, do other restaurants continue to operate when they offer their steaks for much more? Because many people choose the "elegance" of dining rather than the lower price they could have at a small cafe lacking such elegance.

It appears that the type of a "monopoly" most people fear is what is called the "coercive" monopoly. That is to say, there are very few people who express any concern over the fact that a particular individual may be the only druggist in a town. What is feared, however, is any business that finds itself in a position where it has no "direct" competition, and then seeks to take advantage of that position by raising its prices. But, as we have seen, such a "monopoly" could not last long in a free market. Because customers seek the lowest price they can find for a given product,

they will be attracted to any other business which would come in and compete with the business which was taking advantage of its position. As a result, if such a business *did* raise its prices, this would be an open invitation to others to go in and compete with that firm. It would not take long for the price to come back down.

Consequently, it would not be possible to sustain a coercive monopoly within a free market. So long as other men were free to enter any business of their choice, no business could afford the luxury of supposing it could “get away” with whatever it wanted to without having to face the prospects of would-be competitors moving into the market.

In fact, the only way in which any business *can* obtain a monopoly, without having to fear the entry of competition, is through *force*. Only by physically preventing anyone from competing with it, can a business be assured of an exclusive position in the market. It is worth pointing out that those persons who *have* sought an exclusive place in a market have recognized the need for coercion on their side, and have turned to governments to supply them with the necessary force. As a matter of fact, the term “monopoly” originally meant this: an exclusive grant or franchise from the king to operate in a given area free from competition. It was clearly understood, even from the earliest of times, that if a person wanted the assurance that he could operate his business free from competitors, he must get the government to grant him this exclusiveness, and to have it prevent the entry of competitors by making it unlawful for anyone other than the holder of the monopoly to serve that market.

Unfortunately, we still follow this antiquated system of permitting the government to grant monopolies to various businesses. Railroads, power companies, bus lines, gas companies, airlines, taxi service, garbage collection, and even such services as the practice of medicine, law, dentistry, barbering, pharmacy, and many others, function in such a manner that no persons or businesses can compete in these fields without the approval of the government and, as is usually the case, without the approval of those who are already established in those fields. *This* is a sure way of getting a “monopoly.” It is, in fact, the *only* effective way of maintaining a monopoly over any period of time.

It is often assumed by most people that “men go into business in order to compete.” Nothing could be further from the truth. Men go into business for many reasons, ordinarily out of a desire to promote monetary gain, but the examples of persons who went into business *in order* to compete are indeed rare. What *is* true, however, is that in a free market men who go into business will always find themselves in a position where they must compete. Competition, then, is a condition that necessarily prevails in a free market. Businessmen must recognize that condition and attempt to satisfactorily deal with it in order that they may maximize their profits.

Competition is one of the vital regulators of the marketplace. Customers will take their business wherever they can get the most for the least money, and a free market assures the customer of the opportunity to take his business where he does think he can maximize his purchasing power. Competition also tells the businessman when he is making correct decisions and when he is making incorrect decisions. As customers indicate their approval of his decisions, his business increases, but if he makes the wrong decision and if he incorrectly gauges the market, his business will decline. In a system of competition in a free market, all men—producers and consumers alike—are guaranteed the opportunity to make those decision which will, in their estimate, maximize well-being.

Consequently, if we are desirous of improving our economic well-being, we must be certain that nothing interferes with the mechanism of competition. We need to understand that, in a free market system, monopolies cannot exist, and we ought to examine carefully any effort that is made, through government action, to seek to make the market supposedly “more efficient” by the grant of an exclusive privilege to do business to particular individuals. Since the effect of such a grant is to reduce competition—and with it, consumer free choice—we need to understand the effect that such practices have on our objective of seeking to maximize—not limit—human satisfaction and well-being. In one sense of the word, every businessman really *wants* a monopoly. That is why he *competes* so ferociously. But there are only a very few businessmen



who really favor competition when it exists for themselves. Those few who do understand it, operate their businesses without asking the government for any help whatever.



## Chapter 14

# The Antitrust Laws

As outlined in the previous chapter, many persons have a fear of the marketplace which causes them to suppose that, in the absence of some degree of imposed regulation, a form of “natural greed” will impel businessmen to take certain actions which will result in the creation of monopolies. In fact, most people will contend that we did have just such a period in our own American history—the so-called Age of the Robber Barons—in which the economy was being slowly but steadily restricted by a small handful of businessmen. Because of the fear that these few businessmen might bring the entire economy under their control, the “man in the street” went to the government and saw to it that the antitrust laws were passed in order to put controls on these greedy men, and force them to compete with one another. At least, so goes the story.

To put the question of the antitrust laws in its proper perspective, we need to go back to the late nineteenth and early twentieth centuries and examine the conditions that prevailed in the economy. During this period we find the American economy *not* in the throes of a restricted, noncompetitive situation. Rather, this era was typified by very sharp and intensive competition. One historian, in fact, has made this observation:

Despite the large number of mergers, and the growth in the

absolute size of many corporations, the dominant tendency at the beginning of this century was toward *growing competition*.

There were at this time many large, well-established firms—basically in the eastern states—and at the same time many newer firms springing up along the Atlantic seaboard and, as the population moved west, in the midwest as well. With the growth of new businesses came intense competition, primarily between the newer firms which were bidding for a share of existing markets, and the more established firms which already had a share of the market which they sought to protect. The consequence was a decline in prices—to the benefit of the consumer—and with it, expanded business activity.

Many of the larger firms objected to this competitive trend. Feeling that they had a vested interest in keeping the amount of business they had heretofore enjoyed, they resented newer businesses coming along to challenge their position in the market. In short, they resented having to compete. But, as we have already seen, in a free market competition is a natural condition with which every business has to contend. The free market doesn't recognize vested interests; it doesn't guarantee any individual or business a perpetual existence. Only those firms which can continue to offer better products at lower prices to consumers will remain in existence, and this requires every business to continually compete with every other business.

But many firms didn't care for the day-to-day rigors that competition imposed upon them. Having to keep improving the quality of one's product, to figure new ways of cutting costs so as to be able to match the lower prices offered by the competition, to concentrate on the most efficient methods of production—all these factors posed conditions that many firms did not want to meet. They preferred the assurance that their company would *always* be around, regardless. They sought to do what the free market does not allow: to relax one's efforts in constantly seeking to better serve the consumer. As a result, these firms began looking for ways to restrict the economy.

The first approach that was tried consisted of the creation of

cartels, trusts, price-fixing agreements, and the like. Such practices did not indicate that competition did not exist; on the contrary, it pointed out just how intense the competition was, and the degrees to which some businessmen would go in order to limit competition.

The general tenor of the cartels was this: to get as many firms in a given industry as possible to join together and *voluntarily* agree to fix prices, divide up markets, exchange information, eliminate certain competitive practices, and so on. The purpose of these agreements was simple—restrict and limit competition by mutually agreed-upon methods. With fixed prices, firms would not have to worry about someone else moving in and selling at a lower price; with guaranteed markets, businesses would not have to concern themselves with competition from other suppliers.

The marketplace, however, resists such efforts of “rigging.” Cartels and other voluntary market-restricting measures tend to be very weak for one reason: men are selfish. When firms *X*, *Y*, and *Z* get together and agree to fix prices, the agreement that these firms reach is not consonant with the self-interest of each of these firms.

Company *X*, for example, will hope that companies *Y* and *Z* adhere to the agreement, but company *X* will try to figure out ways of getting around it as much as possible. It may, for example, live up to the letter of the agreement by offering its product at the agreed-upon price, but then give a rebate to the customer, meaning that the actual price in the market—to the consumer—is lower than what *X*, *Y*, and *Z* had agreed upon. Or company *X* may decide to absorb shipping costs—again, resulting in a lower final price to the consumer.

When companies *Y* and *Z* learn of *X*’s actions, they too begin violating the agreement and soon the cartel is disbanded. Such has been the history of cartels. Because each firm is interested in promoting *its* interests, and not those of its competitors, the cartels easily disintegrate.

Such, fortunately, was the experience of the firms that sought to cartelize the American economy at the end of the nineteenth century. As Dr. Gabriel Kolko has pointed out in *The Triumph of Conservatism*:

Competition was unacceptable to many key businesses and

financial interests, and the merger movement was to a large extent a reflection of voluntary, unsuccessful efforts to bring irresistible competitive trends under control....As new competitors sprang up, and as economic power was diffused throughout an expanding nation, it became apparent to many important businessmen that only the national government could rationalize the economy....Ironically, contrary to the consensus of historians, it was not the existence of monopoly that caused the federal government to intervene in the economy, but the lack of it.

Thus it was that, when voluntary efforts to restrict competition failed, many key leaders of American business turned to the federal government to get legislation passed which would literally force a noncompetitive situation upon the economy. This legislation is what we know as the "antitrust laws."

In his well-researched book, Dr. Kolko demonstrates that, contrary to popular view, the antitrust laws were *not* forced upon the business community by public indignation. Rather, certain elements of the business community demanded and worked for the passage of such legislation in order to provide an economic framework in which the intense competition within the marketplace could be sharply restricted.

In the banking industry many of the larger, well-established banking centers were interested in winning the banking community over to government control directed by the bankers for their own ends. The situation in banking at the time was that New York's financial significance was decreasing, relatively, with the tremendous growth of the state banking movement. In fact, one banker, in referring to these state banks, declared: "It would be a blessing to get these small banks out of the way."

In steel, in the telephone industry, on Wall Street, in meat packing, petroleum, insurance, the railroads, and other segments of the economy, many businessmen actively sought legislation which would have the effect of controlling their competition. In fact, in another work by the same author on railroad regulation, it is demonstrated that the railroads had sought federal regulation in order to limit the sharp competition in that industry. Railroad freight rates, says Kolko, had been *declining* since the 1870s due to

the competition brought on by an expanded rail system, and between 1900 and 1907, the number of operating railroads increased from 1,224 to 1,564.

The railroads then sought government regulation, government rate-setting, and the like, in order to eliminate price competition, to guarantee exclusive markets, etc. In summary, on the question of railroad regulation, Kolko declares:

Railway regulation did not represent an effort to make the dominant forces susceptible to the control and welfare of the large majority of the people, but rather it was an attempt to create a political capitalism for the sake of the railroads, which the latter welcomed as a means of solving their internal economic problems....

If the *intent* of certain businessmen was to restrict competition through the use of the antitrust laws, as well as through other legislation, how was this actually accomplished? It should be remembered that an effort had been made, earlier, to seek to limit competition by voluntary methods such as the cartels, and that these practices failed miserably. Coercive methods, such as the antitrust laws, could, it was hoped, be used to *force* competitors into noncompetitive situations. Have the antitrust laws had such an effect?

To examine the effects of the antitrust laws, we should examine the manner in which such legislation has been interpreted and enforced. To do this, we should turn to the cases themselves. There are far too many cases that can be knitted into the entire picture, but some of the key cases have been discussed in one particular work by Harold Fleming, *Ten Thousand Commandments*, which is highly recommended. In Fleming's book, it is shown that the effect of antitrust laws has been to *restrict* competition.

In the famous A&P case, for example, the A&P food chain had structured its operation into a pattern of what is known as "vertical integration." That is, A&P felt it could reduce its operating costs and thus be able to reduce its price to the consumer, if it operated not only its own retail grocery outlets but also its own distribution centers, processing plants, farms, and so on. While such an action

was clearly designed to enhance A&P's competitive position, this practice was held to be in violation of the antitrust laws because of the effect that such action would have on its competition. A&P sought to compete, the consumer would have benefited, but the government was concerned with how this would affect competitors.

The Alcoa case further demonstrates that the antitrust laws are not designed to encourage competition. Alcoa had been, for years, the sole producer of aluminum in the United States. But Alcoa recognized that it was not free from competition. Not only did it face parallel competition from steel and other metals, it also faced what we have described earlier as "invisible" competition. Alcoa did not seek to take advantage of its sole position in the market by raising its prices, because it knew that to do so would bring in other aluminum companies.

Consequently, Alcoa behaved "as though" it did have direct competitors, and concentrated on continually improving its efficiency and lowering its price. The result was that, although the price of Alcoa aluminum was \$8.00 per pound in 1888, by the 1930s its price was down to twenty cents per pound. Alcoa remained such an efficient producer that no one else was able to match its price.

The government, however, brought an antitrust suit against Alcoa, and when the company argued that it had not forced anyone not to compete with it, and that its sole position in the market was due to its high level of efficiency, the court handed down one of the most bizarre opinions when it held that "efficiency" was no defense! The decision reads, in part:

Alcoa insists that it never excluded competitors, but we can think of no more effective exclusion than progressively to embrace each new opportunity as it opened, and to face every newcomer with new capacity already geared into a great organization, having the advantage of experience, trade connections, and the elite of personnel.

Alcoa kept ahead of its competitors and would-be competitors by being more efficient—a practice which is now a crime under the antitrust laws!

There are many additional competitive practices which the antitrust laws leave in question as to their validity. Fleming



discusses these at greater length in his book. But the main point to be derived from an examination of the antitrust laws is that they *restrict* truly competitive practices, and concern themselves with protecting non-competitive businesses.

As Fleming points out in his book, the enforcement of the antitrust laws has been in the name of “fostering competition,” yet the government’s main concern has been the “effect on competitors,” i.e., to “lessen the vigor of competition....The effect is strikingly *like what is sought in the cartel system*....The essential purpose of a cartel is to keep competitors from cutting each other’s prices....The goal is to restrain disturbing influences, to stabilize prices, and to assure those in the business the comfortable feeling that their position is secure.” But, as Fleming adds, “the consumer pays the bill.”

The overall effect of the antitrust laws, then, is to maintain the *status quo* within the market—to not let anyone get ahead of his competition through normal competitive practices. In fact, the breadth of the antitrust laws is so extensive that it is now technically illegal to even be engaged in business in the United States!

This is a point that has been made by many different persons, not the least of which was Mr. Lowell B. Mason, who was at one time a commissioner of the Federal Trade Commission, the federal agency charged with enforcing the antitrust laws. As Mason has correctly pointed out in his *The Language of Dissent*, the antitrust laws consist of many separate and vague pieces of legislation (the Sherman Act, the Robinson-Patman Act, the Clayton Act, et al.). As a result of these laws, the following practices have been held to be illegal:

- (1) To charge a price for your product *higher* than your competition is charging. This, the law says, makes you guilty of having a “monopoly per se.” The government reasons that “if you can charge a price higher than your competition is charging and still attract customers, this indicates that you have such a stranglehold on the economy that people have to do business with you. If you were truly competitive, people would take their business where they could get a lower price.”

- (2) To charge a price for your product *lower* than your competition is charging. The law considers this an act of “attempting to acquire a monopoly.” The government argues, “businessmen want to make as much money as they can. Therefore, when you charge a price lower than your competition is charging, your only reason could be that you are trying to attract all the customers to yourself and thus put all your competitors out of business.”
- (3) To charge a price that is the *same* as your competitors. This, says the law, is “price-fixing and collusion.” The government maintains that “businesses do not all have the same costs, etc., and thus it is highly unlikely that businesses would end up with the same prices as their competitors. When they do, it is reasonable to assume that such similarity came about only because the businesses got together and ‘rigged’ prices.”

If it is unlawful to charge a *higher* price, a *lower* price, or the same price as your competition, when *is* it lawful to ever be in business? As Mr. Mason states: “If we (FTC) had the money, we could get a cease-and-desist order against every businessman who is engaged in interstate commerce.”

The antitrust laws ought to be a good lesson to persons who seek to get the government to interfere in the economy for their special benefit. The result is an action that is not only detrimental to the economy as a whole, but even to the long-run interests of the businesses that seek such interference. The antitrust laws have been a two-edged sword. Enacted at the insistence of businessmen who desired to control their competition, they now stand above the head of every businessman ready to fall at any point the government chooses to take action against a business.

The business community, unfortunately, has not learned its lesson. In the 1930s, for example, the same desires that many businessmen had to control their competition in earlier days, rose up in the business community’s advocacy of the National Industrial Recovery Act. This Act, enforced under the NRA, provided that businesses in any particular industries could get together and draw up “codes” which could be enforced by law against any other

businesses engaged in that industry. The consequence was some 731 codes which covered virtually every aspect of business activity: minimum wages, maximum hours, allocation of sales, fixing of prices, limitation of the use of productive machinery, limitation of production shifts, new equipment, and inventories, the filing of production reports showing plant capacity, costs, number of employees, and so on. As a result, the American business system was reduced to a governmentally-enforced system of cartels, in which certain businesses were able to get the coercive power to force their competitors not to be so competitive.

It should be pointed out, of course, that the entire business community is not guilty of having fostered such restrictive legislation as we have been outlining. It is all too easy to “collectivize” guilt, and to assume that because *some* businessmen have helped to foster government intervention in the market, *all* businessmen are guilty. There have been, and are today, a number of businessmen who see the value that a free market has in maximizing human well-being, and who vigorously support the idea of a non-coerced economy. But we also need to understand the factors that have resulted from the government stepping into the economy in order to restrict it.

The important point is this: such efforts to restrict the market cannot occur without the mechanism of coercion (government) entering the picture. It is not the marketplace that must take the blame for these restrictions, but government. It is only when men depart from the market and seek the employment of coercion that these problems arise. The consequence of such antimarket activity, brought on by the efforts of some—not all—members of the business community, is the position we find the market in today: one strictly regulated by government fiat, where the desires of consumers and the abilities of efficient producers are largely ignored.



## **Chapter 15**

# **Prices and Unemployment**

It is often assumed by critics of the market economy that the selfish interests of businessmen will be exemplified by rising prices and chronic unemployment. It is argued that, since businessmen want to make as much money as possible, they will always be raising their prices and, at the same time, they will seek to lower their costs—such as labor—and will always have a tendency to pay low wages and lay off workers. Only by having the government step into the market with regulated prices, minimum-wage laws, unemployment compensation, and similar interventions can total disaster be prevented. This, at any rate, is a fear expressed by many persons. We need to examine it to see if there is any validity to the charges.

To begin with, let us take up the matter of pricing. Let us imagine ourselves in a market situation, dealing with that well-known mythical product, the “widget” (a handy-dandy household item that no one can do without). Let us suppose that there are certain producers of widgets. Let us further suppose that these widgets will be bought and sold in an auctioneering situation—one where the buyers and sellers come together in one location to

personally deal with one another on the basis of competitive bidding.

When discussing the broad area of economics, we discover that a single event can have a multitude of effects throughout the marketplace. We also find that while we are attempting to discover the effect that this one event might have, other factors are undergoing separate changes, making it difficult, if not impossible, to measure just how much a given change was effected by the event we are trying to study, and how much it was effected by some other factor.

Consequently, in order to confine our study to understanding the effects of a given event, economists resort to what is known as an “imaginary construct.” That is to say, if we seek to understand the effect of prices in the market, we will freeze (or hold constant) all factors except prices. We will then move the factor of pricing about to see what effects result elsewhere in the economy from each price change. While we thus make use of an *unreal* situation (unreal, because the marketplace does not remain constant), the result that we get is a very *real* one (i.e., it shows us just what effects do take place in the economy as a result of price changes), other factors remaining the same.

We are going to suppose the following conditions:

(1) There will be five different sellers of widgets, each of whom has the same number of widgets to sell, and each seller will sell his widgets only in one unbroken lot. Further, the widgets are all of the same quality. Additionally, each seller has set a minimum price at which he will sell his widgets. That is to say, all sellers put a *floor* under their pricing, below which they will not go. If, for example, a man puts a minimum price of 50 cents on his goods, this means that he will accept no offer below that price, even though he will accept as high a price as he can get. Lastly, we shall assume that all decisions made by the sellers are fixed, i.e., the sellers will not change their minds about any of these factors. (In a real situation, of course, people continually change their minds, but in order to examine the factor of pricing, we are going to “freeze” all the other factors in order to see how the *pricing* mechanism functions.)

(2) There will also be five separate buyers of widgets, each of

whom desires to buy the same number of widgets. Each buyer wants to buy exactly as many widgets as each of the sellers has for sale. In addition, just as the sellers put a minimum price (floor) under their pricing, so, too, the buyers put a maximum price (ceiling) on what they will pay for any item. The buyer wants as low a price as he can get and will pay only up to a given point. He may, for example, be willing to go as high as 75 cents, meaning that he will buy at any price up to and including 75 cents. He will not, however, pay 76 cents.

(3) In an auctioneering situation, the broker (auctioneer) represents the interests of the sellers. That is, he acts as an agent for those persons with widgets to sell. He does not represent the buyers. Thus, the sellers will communicate to the auctioneer their price schedules, terms under which they will sell, and the like. The auctioneer, of course, makes his money on the basis of the number of successfully completed transactions, so he has an interest in seeing to it that the number of these transactions is maximized.

With these assumptions, then, let us suppose the following demand schedules for both buyers and sellers of widgets in this situation:

**SELLERS (floor)**

|            |     |
|------------|-----|
| Seller 1 — | 70° |
| Seller 2 — | 60° |
| Seller 3 — | 50° |
| Seller 4 — | 40° |
| Seller 5 — | 30° |

**BUYERS (ceiling)**

|           |     |
|-----------|-----|
| Buyer A — | 60° |
| Buyer B — | 50° |
| Buyer C — | 40° |
| Buyer D — | 30° |
| Buyer E — | 20° |

Seller 1 has set a minimum price of 70 cents for his widgets. He will accept 70 cents or any price above it, but will not sell if the price offered him is only 69 cents. Seller 2 has his minimum price set at 60 cents, and so on. On the buyers' side, Buyer A has determined that 60 cents is as high as he will go in buying widgets. If the price demanded is 61 cents, he will not buy. Likewise, Buyer B has a 50-cent ceiling; C, a 40-cent ceiling and so forth.

To begin the auction, the auctioneer gives a "sales pitch," telling what a wonderful product the widget is. He then asks for an opening bid, usually higher than where the bidding will actually

commence. He may ask for a bid of \$1.00. He will get no such bid (see the price schedules of the buyers). He will start down, first to 90 cents, then 80 cents, then 70 cents. He will get no bids. At 60 cents a bid will be made. Buyer A is interested in the widgets at this price and expresses his interest. Since there are no other bidders at this price, A will win the bidding. The auctioneer, desirous of completing as many sales as possible, will line Buyer A up with Seller 2, for he knows that Seller 2 will sell at 60 cents, as would Sellers 3 through 5, but he doesn't know which way future bidding will go. If the price continues downward, he can hope to complete more transactions with the other sellers later on.

To make a long story short, when the actioneer gets down to a price of 50 cents, another transaction will be completed—between Buyer B and Seller 3; yet another transaction will occur at 40 cents between Buyer C and Seller 4; and at 30 cents between Buyer D and Seller 5. Buyer E and Seller 1 will not do business this day, because no buyer is interested in paying 70 cents for widgets (Seller 1's minimum price), and no seller is interested in selling at 20 cents (Buyer E's maximum price).

While this example is purely hypothetical, it does illustrate a very important point which actually does occur in any and every market transaction. First of all, until information as to pricing permeates throughout a market, there will tend to be a rather wide disparity in prices. Once, however, the buyers learn what the pricing schedules of the sellers are, they will seek to take their business where the lowest price is offered. In fact, in the auctioneering example outlined above, this is precisely the lesson that is learned by all the buyers and the sellers in the market. Each person has learned one and the same important lesson: somewhere in this market there is a producer (Seller 5) who is able and willing to profitably produce and sell widgets at a price of 30 cents. The buyers have learned this lesson; in fact, Buyers A, B, and C are probably blaming themselves for not being more patient in their bidding.

Sellers 1,2,3, and 4 have learned the same lesson: they know that they have a competitor who can profitably undersell them. They also know that the buyers know this and that the buyers will want to take all their business to Seller 5 in the future. Seller 5 also



realizes this, and will undoubtedly seek to increase his production in anticipation of the expanded business he will be able to do. Thus, as far as Sellers 1 through 4 are concerned, they are going to have to find ways of reducing their costs so as to justify lowering their prices in order to compete with Seller 5.

It is for this reason, then, that in a free market prices will always trend *downward*. That is to say, the pricing mechanism works *not* in the direction of *higher* prices, but of *lower* prices. The price level will always be, in a free market, in the direction of the lowest-priced producer. The reason for this is that customers will take their business where they can get the lowest price, not the highest. It may not go to the very lowest price, but it will tend to move in that direction.

Part of the problem most people have in trying to understand prices is this: the assumption is often made that businessmen want a high price for their goods. This is incorrect. What they *do* want is to maximize their *profit*. A car manufacturer could set a price of \$50,000 on his automobiles and not sell a one. This is not his desire. Consequently, he will put a price on his automobiles that will maximize the amount of profit to his firm.

Let us suppose, for example, such a manufacturer found himself in a situation where the following prices for his automobiles would yield him the corresponding amounts of profit:

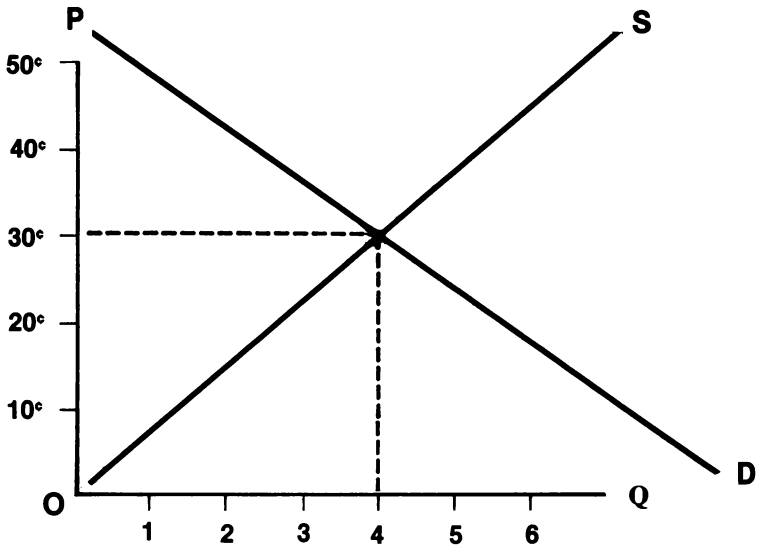
| Price    | Cars<br>Sold | Total Sales | Costs (@ \$2,000 per car) | Profit   |
|----------|--------------|-------------|---------------------------|----------|
| \$50,000 | 1            | \$50,000    | \$2,000                   | \$48,000 |
| 25,000   | 8            | 200,000     | 16,000                    | 184,000  |
| 10,000   | 50           | 500,000     | 100,000                   | 400,000  |
| 5,000    | 200          | 1,000,000   | 400,000                   | 600,000  |
| 3,000    | 800          | 2,400,000   | 1,600,000                 | 800,000  |
| 2,500    | 1,000        | 2,500,000   | 2,000,000                 | 500,000  |

Clearly, in this situation a high price (\$50,000) will yield the manufacturer only \$48,000 net profit, whereas a lower price (\$3,000) will return \$800,000 in profits. The manufacturer, then, will choose to price his autos at or near the \$3,000 figure.

*The law of supply and demand* is a phrase used, perhaps more than any other, in an effort to explain the laws of economics. Briefly stated, it amounts to no more than this: men are willing to

*sell* more at a higher price than at a lower price, all other factors remaining equal. This proposition can be restated in graphic form. In the graph below, the vertical line represents price and the horizontal line represents the quantity of items. The price increases as we move from point “O” to point “P” on the vertical scale.

The quantity of items increases as we move from point “O” to point “Q” on the horizontal scale.



Let us go back to our widget example. There, at a price of 30 cents per widget, four widgets were produced and four were demanded. This is illustrated on the graph as being the point where the lines “OS” and “PD” cross. The “OS” line represents the “Supply” offered at a given price. The higher the price, the more the sellers will be willing to supply. The “PD” line, on the other hand, represents the quantity “Demanded” at a given price by the buyers. The higher the price, the smaller the demand.

In the widget example, we saw that at a price of 30 cents, four widgets were supplied and four were demanded. This we refer to as an “equilibrium” price. That is to say, at a price of 30 cents, everyone who wished to purchase a widget at 30 cents was able to

do so, and everyone who had a widget for sale at that price was able to sell it. We have, at an equilibrium price, what is known as a "clearing of the market," which is to say, the demands of all parties at that price are satisfied.

In a free economy, the market will always work toward the establishment of an "equilibrium." The counteracting forces of both "suppliers" and "demanders" will attempt to balance each other out. A market will never achieve "equilibrium" as a total and fixed condition because the demands, costs, and other factors affecting the participants in the market will always be changing. However, the market will always work in the *direction* of stability and equilibrium.

Let us imagine, for example, that the price of widgets was raised to 40 cents. What would happen? First of all, the number of widgets supplied would increase (from 4 to 5). But, at the same time, the demand would decrease (from 4 to 3). Whereas at 30 cents there were 4 widgets supplied and 4 demanded, now at 40 cents there are 5 widgets supplied and only 3 demanded. What happens? We find that there is a given quantity of widgets (5) competing with each other for relatively scarce customers (3).

How is this competition resolved? One of the widget sellers will offer his widget at a little lower price (possibly 35 cents) in order to attract the scarce customers away from his competitors and to himself. At the same time, as the price is thus lowered, sellers are willing to supply fewer widgets and more customers are attracted into the market, thus reducing the disparity between the supply and the demand. Shortly the suppliers will, in order to clear their surpluses, offer their widgets for sale at 30 cents, where they will all be bought up by willing customers.

If, on the other hand, the price for widgets is lowered (let us say to 20 cents), just the reverse takes place. Now there are more customers (demanders) than there are widgets supplied, and consequently the customers are in competition with each other for relatively scarce widgets. Each customer, desirous of securing a widget for himself, will offer the widget seller a higher price than his competing customers are offering. One buyer, for example, may go up to 25 cents; another may go up to 28 cents. As the price

goes up, more sellers are attracted into the market and, at the same time, demand decreases. In this manner, the market moves back toward a position of equilibrium.

It is unfortunate, but true, that most men do not understand economics. They tend to think that prices, wages, costs, supply, demand, and other factors simply “happen,” and that there is no rhyme or reason to the marketplace. They invariably seek, then, to “re-order” the world of economics through the intervention of some coercive agency, such as political government. The consequence, however, is just as invariably “*disorder*.”

It often happens that when the producers of a given product find they have a competitor who is doing a better job than they of supplying the market, they seek to employ *force* against him to take away the superiority he has. Using the widget example again, Sellers 1, 2, 3, and 4 may very well seek to get the government to establish what is known as a “fair pricing law” in the widget market. This, they will claim, is for the public good, will eliminate “cutthroat” competition, etc.; but such laws have only one purpose: to give incompetent sellers an advantage over their more efficient competitors that they could not obtain in a free market. “Fair pricing laws” *always* benefit the less efficient, and hurt the customer and the more efficient producer.

“Fair pricing laws” work this way. The government declares that a price of 30 cents is not a “fair” price to charge for widgets, and that a law will be passed *prohibiting* the sale of widgets at any price less than, let us say, 40 cents. It might be asked: “Who is being hurt by the 30-cent price? The customer? The man able to sell, profitably, at 30 cents?” The answer should be obvious. Once the 40-cent price is fixed, by law, the following changes occur in the market (as we have seen from our discussion of the law of supply and demand):

| Price | Number<br>Supplied | Number<br>Demanded | Number<br>Traded | Distortion |
|-------|--------------------|--------------------|------------------|------------|
| 30¢   | 4                  | 4                  | 4                | 0          |
| 40¢   | 5                  | 3                  | 3                | 2          |

We now witness a “distortion” (an unsold surplus) of two

widgets. At the 40-cent figure, there was a demand for only 3 widgets, but 5 were supplied. This situation usually leads to increased demands from the sellers to get the "fair price" raised even higher, perhaps to 50 cents.

| Price | Number<br>Supplied | Number<br>Demanded | Number<br>Traded | Distortion |
|-------|--------------------|--------------------|------------------|------------|
| 30¢   | 4                  | 4                  | 4                | 0          |
| 50¢   | 6                  | 2                  | 2                | 4          |

The distortion (surplus) continues to increase, and the sellers who had demanded government intervention on their behalf now sharply criticize the marketplace, and demand government subsidization of their industry, urging the government to buy up all their surplus production. This, we might point out, has been the entire history of price supports (fair pricing) in agriculture as well as in numerous other businesses.

The sellers are not the only ones seeking to alter market conditions by force; the buyers seek government action in order to establish "price controls" on widgets. They want to force the price *down*. They argue that such controls are for the public interest, will stimulate the market, and will even benefit the sellers by increasing consumer demand; but in truth such laws only force sellers to sell at a lower price than they are willing to do in a free market. The effect is as follows:

| Price | Number<br>Supplied | Number<br>Demanded | Number<br>Traded | Distortion |
|-------|--------------------|--------------------|------------------|------------|
| 30¢   | 4                  | 4                  | 4                | 0          |
| 20¢   | 3                  | 5                  | 3                | 2          |

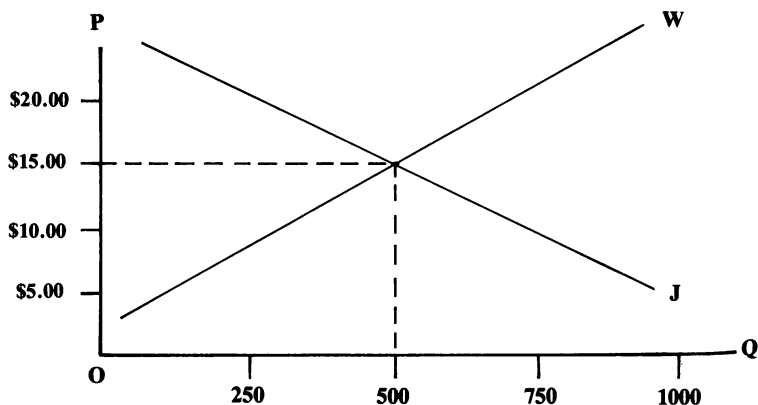
Because sellers are willing to supply less at a lower price, while buyers are willing to demand more, the consequence of artificially lowering prices via "price controls" is a scarcity of goods (widgets). Now the customer is angry *not* at the government intervention that caused this problem, but at the sellers! The result is that the buyers demand more of the same legislation:

| Price | Number Supplied | Number Demanded | Number Traded | Distortion |
|-------|-----------------|-----------------|---------------|------------|
| 30¢   | 4               | 4               | 4             | 0          |
| 20¢   | 3               | 5               | 3             | 2          |
| 10¢   | 2               | 6               | 2             | 4          |

When the consequences get even worse, the buyers then “demand” that the government step in and “nationalize” the widget industry, that they operate it for the “public good” instead of for “profit,” because of the “fact” that “the free market just can’t be trusted.”

If our desire is to find ways of maximizing human well-being, it will be clearly seen that this goal is accomplished, at least as far as pricing is concerned, when men leave the marketplace alone and permit it to function in response to the influences of uncoerced buyers and sellers. At the free market price (here, 30 cents) more goods are traded, more buyers are able to have a widget, and less distortion takes place within the market.

We should consider the problem of unemployment here, because it has a direct bearing on the material just discussed. What are the causes of unemployment? The basic problems of unemployment are brought on by the same factors as those in the “fair pricing” situation. To begin with, let us imagine a given labor market as follows:



Line OW represents the number of workers willing to work at a given wage; line PJ represents the number of jobs made available in the market at a given wage. Line OQ shows the quantity of jobs and workers, while line OP shows the wages.

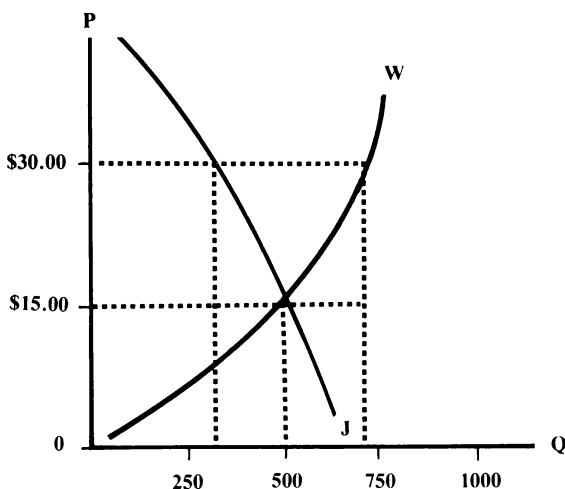
In this example, at a wage of \$15 per hour employers are willing to hire 500 workers, and 500 workers are willing to work. Again, we have a situation of “equilibrium,” meaning that every man willing to work at \$15 per hour has a job, and every job offered at \$15 is filled.

Now, however, the labor union steps into the picture. Just as the sellers of widgets sought means of forcing the price of widgets above the market price, so too the labor unions seek to artificially raise the price of labor above the market price. This can be done in one of two ways: either by using coercion against the employer directly (as in a strike situation where government intervention and physical violence exist) or by using indirect coercion. This latter form of coercion has a more widespread effect, and takes the form of what is known as “minimum wage laws.”

Labor unions, desirous of eliminating competition from those persons who are willing to work for lower wages, get the government to step into the labor market and make it unlawful for an employer and employee to agree upon a wage rate less than the decreed “minimum.” The effect is precisely the same as in the “fair pricing” situation, namely, to literally force the market to accept the demands of those persons seeking a higher price. The consequence of such legislation is, as in the “fair pricing” example, a surplus of labor which we identify as unemployment.

This can be seen in more graphic form in the following chart.

Let us assume an equilibrium price for labor at \$15 per hour. Let us also assume that the labor unions want the government to establish a “minimum wage” of \$30 per hour, and that the government goes along with their demands. The consequence is this: at \$15 per hour, as the graph shows, 500 men were willing to work and employers were willing to hire 500 men. When the price for labor is artificially forced up to \$30 per hour employers are now willing to hire fewer employees (as seen on the chart where the \$30 per hour price intersects the PJ line.) Following this line down, we



see that approximately 350 employees could be hired whereas 500 had been hired before. There are now 150 fewer people employed than were employed before the minimum wage law. These people are “involuntarily unemployed.”

But minimum wage legislation has an additional malevolent effect in that, at the higher rate (\$30), more persons are willing to work than were willing to work at a \$15 per hour wage. (This is represented by the intersection of the \$30 per hour wage with the OW line.) At this higher wage, some 700 persons are willing to work, meaning that the total distortion in the labor market brought on by minimum wage laws is the following:

$$\begin{aligned}
 & 700 \text{ men willing to work at } \$30 \text{ per hour} \\
 & - \underline{350} \text{ jobs offered at } \$30 \text{ per hour} \\
 & 350 \text{ persons involuntarily unemployed.}
 \end{aligned}$$

At the free market price, every man who is willing to work is able to find work. No involuntary unemployment can exist (except in cases of temporary unemployment while a person is between jobs) in a market where the price of labor is free to fluctuate in response to the demand for labor. The only men who would remain unemployed in a free market would be those who voluntarily chose not to work at a given wage. But when the government steps into the picture and arbitrarily raises wage rates, the consequence is the



creation of a group of persons within the market who are, by law, precluded from getting a job at a rate which employers are willing to pay.

One of the most insidious features of the minimum wage laws is the rationale offered for their support. They are designed, it is argued, to raise the standard of living of the lower-income people. The facts clearly show that it is the low-wage people who are most seriously hurt by minimum wage laws. Numerous studies not only clearly establish that minimum wage laws increase the amount of unemployment, but go on further to demonstrate that the ranks of the unemployed are increased primarily from those persons who were earning less than the "minimum" prescribed by law.\*

The minimum wage laws are no more for the benefit of low-paid workers than "fair pricing laws" are for the protection of producers charging lower prices than their competition. The effect—whatever the intent—both of fair pricing and minimum wage legislation is to legally restrict individuals from offering either their goods (fair pricing laws) or services (minimum wage laws) below a price which their competitors wish to establish. Both seek to artificially (by force) raise prices.

Having succeeded with their objective, the labor unions then turn around and champion the cause of their victims by getting the government to pass laws providing for "unemployment compensation" for those who cannot now work because of the unions' efforts. They then see to it that the employer is required to pay this compensation.

The area of prices and unemployment is one of the most misunderstood subjects, and yet, if we are to seek ways and means of maximizing human well-being, we must be aware of these factors. We need to understand the effects of artificially regulating the market place, for we may end up with results contrary to our basic objectives.

\**Journal of Political Economy*, Vol. 65 (1957), pages 412-430; *Industrial and Labor Relations Review*, Vol. 12 (1959), pages 406-422; *Industrial and Labor Relations Review*, Vol. 17 (1964), pages 276-288; see also, an article in the June, 1959 issue of *Nation's Business* in which former Dean Lawrence C. Lockley of the University of Southern California School of Commerce states: "A minimum wage of any size will eliminate the lowest grade of workers. When they are sifted out because they can't earn a minimum wage, there appears to be no place for them to go.... People have been forced out of work or have found the work that they are prepared to do no longer available and have, in some areas, gone on the public assistance rolls and constitute a major source of city and state financial hazards." (page 31.)



## Chapter 16

# Money

The subject of money is a broad one. If one were to select a hundred leading economists and question them about money, the chances are excellent that one would receive at least a hundred conflicting views.

What is *money*? A succinct but satisfactory definition is that money is anything that can be used as a medium of exchange. Men live by barter. But as we barter end products, either goods or services, we discover that the range of items in barter is vast, and conceivably unlimited. The various values involved, the intrinsic character of items in exchange, the size and cost of these items, provide such a huge network of variables that simple barter, in any kind of a dynamic, high-voltage economy, is out of the question. Therefore, it is a prime requirement to have a common medium—something that stands *between* two end products, something with which everyone is familiar, and into which all end products can be translated in order to facilitate barter. We call the process of bartering, or of changing goods and services into money or money into goods and services, *the market process*.

There are actually three kinds of media that have been used and are being used today in all exchanges or barter. They are: (1) commodity money, (2) credit money, and (3) fiat money. These are quite different, each from the other. Yet the borderlines between them are not always clearly drawn and much confusion arises from this fact.

*Commodity money* is a good. It can be any kind of good which people wish to use as money. The principal characteristic of all commodity money is that any such money always can play a dual role in the market. Such a good can be used as money. But it is also a commodity and can, at the decision of the owner, instantly be converted from its role as money into its role as a commodity.

Therefore, a commodity that is used as money has a utilitarian value resulting from its usefulness to consumers. This stems from its characteristics and does not relate to its use as money. For instance, gold may be used in the manufacture of jewelry primarily because of its malleability, durability, and beauty. It may be used in manufacturing for its durability and its ability to conduct electrical impulses. Silver is used in film processing, due to its unique qualities. There is no relationship between this use and its use as a money medium. In fact, the demand for silver to be used in coinage is detrimental to industrial demands, for it tends to drive the market price upward and opens the door to government interference with price and supply controls.

In the long history of the marketplace, nearly every conceivable good has also been used as commodity money. In this category we have had such unlikely commodities as cattle, fish, common pebbles, huge boulders, salt, wheat, women, children, cigarettes, chocolate bars, and silk stockings. The immediate disadvantages of most of these items are quickly apparent. But we have also had very successful types of commodity money—precious stones or coins made of various metals.

The desirable characteristics of any commodity money are these:

- (1) *Durability*: To be practical, a money must be able to withstand long periods of use and handling. Items such as fish or butter would not lend themselves to extensive storage and would be undesirable in hot climates.
- (2) *Portability*: As the purpose of money is to facilitate exchanges, it is necessary for it to readily lend itself to being carried about on the person. This would normally rule out such things as big boulders, iron bars, and cattle.
- (3) *Divisibility*: It should be readily adaptable to precise mathematical division.

- (4) *Acceptability*: Of course, for money to be useful it must be valued by those it is intended to serve. If one had a load of dead fish to exchange and people generally preferred salt, the owner of the fish would seek to exchange his commodity for some salt. The salt could then easily be exchanged for many other items, while the offer of a load of fish might interest only a few persons.
- (5) *Scarcity*: If something is in such plentiful supply that anyone can avail himself of a quantity with relative ease, then we would have no reason to try to obtain it in the market. We seek exchanges because we want things which are relatively scarce. Therefore, a basic requirement for a commodity money is that it be relatively scarce to the general users. But it cannot be in such scarce supply that sufficient amounts are not available to serve the market. The question arises, "How much money should there be in the market?" There is no quantitative answer. There should be enough to satisfy market demands, but too much would be harmful.

It is not necessary to dwell upon human experiences and experimentation in these areas. Suffice to say that through long centuries of seeking a satisfactory medium of exchange in the commodity area, human experience has confirmed approval of gold and silver as the most advantageous kinds of commodity money. In this respect, gold stands higher than silver, primarily because it is more scarce. But both have been used successfully over many centuries. Indeed the degree of success in commerce when gold and silver are in wide and general usage as media of exchange is very high.

*Credit money* is the second type of money used in exchange processes. Credit is a kind of money, for it facilitates exchanges. But the salient characteristic of credit is that it relates exclusively to incompleting exchanges. You go into a store to purchase a new suit. You find the suit you want. You tell the tailor that you will pay him at the end of the month. He agrees. He gives you the suit, thus completing his end of the exchange. You have made a purchase and you walk away with the suit. Thus far, he has nothing to show for

what you have taken, but he has your promise. Your promise is what he lives by, for if you default, he has been robbed. At the end of the month, you will reimburse him, using an agreed-upon form of money. That completes the exchange. The credit he extended to you when you bought the suit is now redeemed. He has his money and you still have the suit.

Another illustration of credit money: You wish to build a home. You do not have enough cash to consider such an expensive proposition. You consult your banker. He agrees to lend you the money. Let us assume that you plan to borrow \$150,000. Does he give you the money?

Not really. He may give it to you in the form of a check which you can deposit in another bank, but this is fairly unusual for this type of loan. Instead the banker will suggest that you keep your money in his bank and then, rather than give you a check, he will tell you that he has transferred the \$150,000 into your account. He gives you a slip of paper called a “deposit slip” showing that your account has been credited with this sum. But you actually have seen no money at all, nor has any come into your hands. This is really a credit transaction. The banker uses the trust placed in his bank by depositors, to underwrite your construction. He creates \$150,000 worth of new credit money.

Now you hire your contractor and begin paying the bills which arise from the construction. You pay your contractor by check. The check is drawn on your account. If the contractor uses the same bank you do, he doesn’t see any actual money, either. He pays his subcontractors and his laborers by check. Assuming that you are in a relatively small town with only one bank, and assuming further that all subcontractors and workers also keep their money in the same bank, what really happens is that each of the subcontractors and workers, upon getting his check, deposits it in the same bank and writes additional checks against his account to pay his bills. It is possible through this process for the banker to advance you \$150,000 worth of credit which will never at any point be converted. You pay by check, others pay by check, others deposit the checks, and so on.

Assuming that you are employed by a firm in the same town

which pays by check, and assuming further that this same firm uses the same bank, you may finally retire this loan, plus all interest and carrying charges, without a single dollar in money ever crossing your palm. It becomes a bookkeeping procedure in which currency isn't used.

At the end of the transaction, when you have repaid your loan, the banker has absorbed the original credit he created for you, plus receiving whatever additional credit is exemplified in your interest payments or other service charges. But your house now stands completed and real wealth has been added to the total value of the economy.

*Fiat money* is whatever government decrees to be money. It may be anything: paper, plastic, wood, or even gold, if the market will not voluntarily accept money as a value. In the case of the United States, the government decrees, or issues a fiat, in the form of paper certificates. Money has been created by political declaration. Such money does not appear in the marketplace until there has been a fairly long history of government dominance of a market or government intrusion into the market.

The fiat process pertains when government enters the market as one of the suppliers, or as the monopolist supplier, of money. When the government enters this field the tendency is for government first to issue paper certificates, after the manner of regular bankers. But presently, due to the nature of politics and money, government begins systematically to introduce what can be called "irredeemable" currency. That is, it prints paper which does not pretend to represent a commodity, but which purports to be money. And government is able, in doing this, to cause such paper to appear so similar in every respect to actual commodity certificates that most people are fooled into supposing that they are the same thing.

In many ways credit is the most convenient money there is. It is not a commodity. It is not fiat money. It is not even paper money representing a commodity. It is a *promise* to pay. Probably some economist will one day produce a written "law" concerning money which will go something like this: "The convenience of the money used is in inverse ratio to the safety of the money used." If the

money is really safe, it probably isn't very convenient, and if the money is convenient, it probably isn't very safe.

Please do not misunderstand. Credit is actually the major medium of exchange today all around the world. And there is nothing wrong with credit when it is understood and properly used in facilitating incomplete exchanges. As a matter of fact, most of us use credit considerably more than we use cash. If we classify our own check-writing or use credit cards as a kind of private use of credit, we will see why it is that few today have to carry much cash about. It is far more convenient to "charge it" and to pay by check at the end of the month.

The safest money we can use is probably gold and silver, on the basis of our present technology. The least safe money is government fiat money. And the very worst combination in the field of money occurs when the government begins to issue fiat money, and uses as its justification the credit of the government established by the government's ability to tax its citizens or to borrow from them. Equally pernicious is money printed by monetizing debts.

There are two other concepts which must be in our minds before we can consider the present situation in the United States as it relates to gold and silver. These two concepts are called respectively: Gresham's Law and Watts' Law.

Sir Thomas Gresham, a British subject at the time of Henry the Eighth, made an astute observation. He saw that when the government entered the money market, the government invariably had the power to declare what commodities were to be used as money. He further saw that no government ever confined itself to a single commodity to be used as money.

Henry had made a unique discovery. He could collect a great many silver coins, melt them down together with old pieces of ordnance, old kettles, brass or copper fittings, then have the alloy minted as though it were silver, and the resulting coins imprinted with the same markings as before. And to further confuse the issue, Henry had these alloy coins coated with a thin layer of pure silver. The purpose was to provide more money for his military exploits:

Those coins looked exactly like the genuine silver coins. But they



didn't sound the same if you dropped them on a hard surface. Silver has a "ring" to it that the alloy lacked. Also, after a small amount of wear, the sheen of silver disappeared and the dull alloy could be seen beneath. Since these coins were minted with the likeness of Henry on their face, commoners began to call King Henry "Old Copper Nose." The silver wore off that protuberance first, and many a tradesman looked very closely at the nose of King Henry before he accepted a shilling.

The result was quickly apparent in the market. The genuine silver coins began to disappear. They went into hiding. People kept them back from ordinary commercial exchanges, getting rid of their most suspicious-looking coins first. Thus, the spurious though entirely legal counterfeit remained in circulation. The solid silver coins increased in value through scarcity and were hoarded.

This is Gresham's Law. It reads: "When the king doth declare that two unlike metals are to be traded at equal value, the bad money driveth away the good."

The reliability of Gresham's Law reveals another interesting characteristic of the way people deal with money. People want money for two puposes. They want money for trade and they want money they wish to hold in reserve for a "rainy day."

Thus, people save their "best" money, believing that it will enhance their situation in the future. As for the money they use in trade, anything is satisfactory, provided only that others will accept it. Many economists still do not see this duality in the way people look at money. They presume that credit money or fiat money is all that is necessary, for it is certainly true that in a market where active exchanges take place there is little resistance to these types of media.

But it is precisely because people do not intend to spend all their money *now*, that the demand arises for gold and silver and other hard and lasting commodity-type media. People are indifferent to the kind of money they use in trade, so long as it will be accepted. But they are not indifferent to the kind of money they intend to save. That has to be of the highest quality. And this is what Sir Thomas Gresham saw.

Before commenting on Watts' Law, let us observe that insofar as

the coinage in this country is concerned, we recently had a precise illustration of the working of Gresham's Law. The government engaged in debasing silver coinage. The reason given was that there was a "shortage" of silver. Also, the government removed the silver backing from one and five-dollar units of currency. The result in the market was that people believed silver coins to be worth more than the unbacked paper in circulation. Hence, they dealt in the market with the paper and the silver coins went into hiding.

The government sought to explain the phenomenon by saying that slot machines were gobbling up the coins. But that was preposterous. The slot machines were there before the disappearance of silver coins became pronounced. Of course, there has been a marginal increase in slot-machine business activity. But slot machines and coin-operated vending devices don't "gobble" up the coins. The owners of the machines take out the coins and put them back into circulation. An increase in vending machines might ordinarily be expected to increase the rapidity of the flow of coinage. The shortage arises in part because of hoarding. Another factor is the heavy control over mining operations exerted by minimum wage laws, labor union intervention in the field of wages, and government priorities with respect to mined ores.

A number of fascinating tales have emerged because of Gresham's Law acting in this area. In one community in New England, a bank offered the new unbacked paper currency in \$1.00 denominations for every person who would turn in \$.95 in silver. The government halted this discounting but it was clear that, in the minds of many persons, the market value of paper money was of less merit than the silver in circulation. Another bank issued wooden nickels, and again the government intervened. Apparently these wooden nickels are now collectors' items going at about \$5.00 each—that is, \$5.00 in paper money. In Las Vegas and other gambling centers which rely heavily on coin machines, metal tokens were purveyed.

Each of these devices, while it continues to serve in commercial exchanges, hastens the devaluation of paper money and increases the market value of silver.

Now back to Professor V. Orval Watts, one of America's fine economists, who has phrased the necessary corollary to Gresham's Law. He saw that if the government did not have a monopoly in the control of money or credit, but if people could trade as they pleased, using whatever money they deemed sound, then few would be willing to accept any spurious or counterfeit money. There would be no such thing as "legal tender." Thus, Watts' Law has it that in a free money market, and lacking government intervention, good money will drive out the bad.

The validity of both of these laws is being emphasized today insofar as all our money is concerned. Let us review, briefly.

When the United States government first entered the money field, which it did upon the ratification of the Constitution in 1789, it declared that gold and silver were both to be considered as legal tender. It further put the government into the money business by specifying (Article I, Section 8 of the Constitution) that Congress had the power to mint coins.

At the outset, of course, this did not prevent private minting. Indeed, the Denver mint was originally a private minting operation put into business by a pair of enterprising metallurgists. Since 1863 the government has regulated private minting (and presumably this makes wooden coins illegal, too).

In order to create a willingness on the part of the public to accept either gold or silver coins, Congress further declared a ratio between the two metals. One unit of gold was to be the equivalent of sixteen units of silver. What happened in the market after just this modest fiat? Gold began to disappear from the marts of trade until silver became the dominant metal in circulation.

To offset this tendency, Congress ruled for a different ratio, increasing the units of silver in respect to gold. The effect in the market was not halted. Gold went up in value, silver dropped. Government, perpetually rebellious against Sir Thomas Gresham, refused to believe it. It proclaimed that the real reason for the larger acceptance of silver was that silver was more plentiful. And, of course, after the Comstock lode was uncovered and silver did become more plentiful, this fact added to the general trend.

Silver in exchange appeared by government standards to be

inadequate, and the government resorted to banking procedures. It deposited gold and silver in various banks, either in bars or bullion, and issued paper certificates which guaranteed that there was on deposit so much gold or silver which could be had by any holder of a certificate or bearer note who presented himself to a given bank or the Treasury of the United States and wished to turn in the paper.

What was the market reaction? Silver began to disappear from circulation and the market dealt in paper certificates. Further, gold certificates tended to be held in higher esteem than silver certificates and people held onto them, dealing in silver certificates almost exclusively.

The next move was enacted in the 1930s. Government withdrew all gold certificates and a great number of silver certificates, and issued what are called Federal Reserve notes, in all denominations except one-dollar bills and some five-dollar bills. To back up the Federal Reserve notes, a law was enacted which required that the government keep on deposit, in the form of gold, 25 per cent of the total currency in circulation. This was to back up all the money in circulation put there by the government, and is commonly called the "gold cover." No individual person could exchange his currency for gold. Gold became a forbidden metal as money. It was restricted to commodity usages domestically, with a few minor exceptions.

Additionally, the government put on deposit a supply of gold equal to about 25 per cent of all Federal Reserve deposits covering the transfers of currency between banks. And it still retained on deposit enough silver to redeem about one-fourth of all one- and five-dollar bills still carrying the notation that they were silver certificates.

The major supply of gold held by the United States, now in monopoly control, was held in reserve to redeem claims against it made by foreign governments or by persons in foreign countries who wished to redeem American currency in gold. This created a major dichotomy in foreign exchange, as we will see.

Let us give our politicians all the forbearance we can. At the time this was done, most of the nations in the world were crying

that they were experiencing a "dollar shortage." They would buy more of our products if we would only accept their currencies, which in some cases were slipshod and already victimized by enormous inflation. Thus, if they had American dollars with which to make purchases, our foreign trade would expand.

It is implicit here that, although a given citizenry may trust its own government, no government trusts another government. Rather than trust some of these shaky currencies of other countries, we established a program of foreign "aid" whereby our dollars were shipped to Europe. The so-called "dollar gap" was bridged. Foreign firms and powers were now enabled to buy our products with our own money. Since this money was redeemable in gold, it was generally acceptable and the dollar became a major medium in world trade.

Of course, since the gold-backed money we gave them was acceptable anywhere, it wasn't really necessary for these foreign recipients of our alms to buy our goods. They could, and they did, deal with each other and major sums were invested in capital goods so that foreign competition with our own production boomed.

Today, in nearly every country where we have extended "foreign aid," there is no longer a "dollar shortage." Instead, there is a dollar surplus.

We might pause to comment that the process wherein we give away dollars to our foreign customers leaves something to be desired. The same process can be employed by any businessman who, in an effort to increase sales, stands on the sidewalk in front of his main entrance and hands out money, asking only that people spend the money in his store. If they do not spend it there, then he has only lost his money. If they do spend it there, then he has actually given away his merchandise in an effort to improve business. We do not know of many businessmen in this country who have availed themselves extensively of this ready avenue of commercial stimulation.

Understandably, the European and other nations welcomed this opportunity. They welcomed it with such alacrity that, as has already been said, most of the foreign countries obtained a dollar surplus in place of a dollar scarcity. This is also understandable. If

a given nation receiving a great deal of our currency (paper orders against our federal treasury) begins buying our merchandise, there comes a time when further purchases of our goods will put a damper on purchases of domestically manufactured or grown commodities.

Take France as an example. France was reported, in 1965, to have something like \$700 million in our paper which it did not wish to exchange for our goods. If it were to buy more of our wheat, our automobiles, our frozen foods, and so on, it would begin shutting down its own production.

But there was another factor facing France. Our own currency domestically was being inflated by continuing expansion on the part of the federal treasury, through the Federal Reserve System. It is politically advantageous for any administration to favor "easy" credit. It is politically disastrous to clamp down and tighten the flow of credit. Thus, the purchasing power of our paper, virtually unmoored domestically from any connection with gold or silver, declined gradually year after year. France's \$700 million in paper would buy more of our goods this year than it would next year or the year after.

But France had a remedy. We were pledged to redeem this paper in gold. Gold is commodity money. It was not only likely that gold would retain its purchasing power, it was entirely probable that its purchasing power would increase. Why not, then, exercise its option and redeem the \$700 million of surplus dollars by taking gold at its legal value? (\$35 per ounce in 1965).

France's move in this direction was met by cries in our press indicating that DeGaulle was doing a dreadful, an unconscionable thing. Indeed, he was not. His position was sound. Ours was unsound. But we did have an ace in the hole. If DeGaulle insisted that we redeem all his paper for gold, we would do so. If we did, that would terminate our foreign aid to France.

What we see now is an international poker game with two major players keeping revolvers ready and just under the table. If we stopped foreign aid, France would redeem her surplus dollars in gold. Our rapidly dwindling reserves would be reduced by that much. But if France attempted to redeem all her holdings, we would stop foreign aid.

This impasse was bridged by what we call "diplomacy." We agreed to redeem some of the paper, gradually. On a gradual basis we ended by redeeming it all and then providing further aid.

It is true, of course, that when we have private men dealing in a private capitalist market, credit becomes a wonderfully useful tool. But it is patently apparent that when government is in the picture, credit is risky. Note the unwillingness of the French government to trust American currency, which is entirely in the hands of the American government.

The solution to our money problem will only be approached when we learn that government should never be allowed the slightest authority in this area. Instead of learning this lesson, we have created the Federal Reserve Bank, which holds in its hands the enormous power of absolute control of our money and credit. The Federal Reserve Bank has, insofar as banking procedures are concerned, converted America into a single small town with only one bank, which is able to create credit money at any time and in any amount.

Our monetary position is untenable. We cannot stay where we are. But so many devices have been employed to remedy the situation that we are buttressed in our original folly by repeated acts of folly. We refuse steadfastly to believe that our problem is actually caused where it is caused.

Insofar as money is concerned, government itself is our undoing. The Federal Reserve System, the International Monetary Fund, our tax structure, our political structure, the various banking acts, the instruments of propaganda, and all of these in combination, will not change the ultimate outcome by one iota.





## Chapter 17

# Wealth

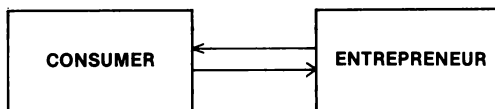
It is important to distinguish between two words which are ordinarily used synonymously: “money” and “wealth.” “Money” has been defined as a medium of exchange. “Wealth,” on the other hand, is that for which we exchange. We do not want money: we do want wealth. Wealth, then, is the goods and services which we want for purposes of consumption.

Wealth can be broken down into three categories: (1) consumer wealth, (2) entrepreneurial wealth, and (3) political wealth.

*Consumer wealth* is the goods and services we want as *consumers*. Food, clothing, automobiles, television sets, art, entertainment, books, etc., are all components of consumer wealth.

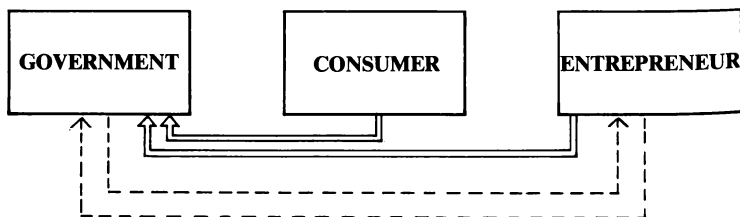
*Entrepreneurial wealth* is the type which people do not want as *consumers*, but as *producers*. Blast furnaces, coal mines, factories, various machines, punch presses, etc., are included in this category. These are the goods and services that producers need in order to produce what will ultimately become consumer goods. None of us, as consumers, cares to have a conveyor belt in our living rooms. But if we were the owner of almost any kind of manufacturing business, we would probably want such a piece of machinery. A conveyor belt would, then, be used by an entrepreneur to produce an item of consumer wealth. And today, moment by moment, the computer is changing everything for both consumers and entrepreneurs.

We should note that, in a marketplace transaction, the relationship between the owner of entrepreneurial wealth and the person who desires consumer wealth is one of complete mutuality. That is to say, the consumer who desires an automobile, for example, makes his demand known to the auto producer. The producer comes back with a demand of his own—money. The consumer pays the entrepreneur, and the entrepreneur delivers to the consumer one automobile. Each party makes his demands and, in order for a trade to occur, the demands are mutually met.



*Political wealth* consists of those goods and services which neither consumers nor entrepreneurs want as such, but which men in government want in order to achieve their objectives. Tanks, airplanes, pyramids, castles, ICBMs, atom bombs, jails, etc., are all examples of political wealth.

The introduction of political wealth presents a problem that does not exist between the consumer and the entrepreneur. That problem arises from the fact that the government is not normally viewed as a producer. In order to acquire the wealth that it wants, the government must step into the economy and expropriate wealth from consumers and entrepreneurs alike.



The heavy line indicates the flow of tax dollars. (You will note here the total absence of mutuality. The government does not offer to sell you something you want. Rather, it demands a one-sided

payment of money from you, threatening you with imprisonment should you refuse.) Next, the government takes the money it has expropriated and uses it to purchase wealth from the producers. (One broken line indicates the flow of goods to the government; the other, the flow of money from the government to purchase such goods.)

One point is clear: When tax dollars are taken from consumers and producers, these people are not in a position to purchase as much consumer and entrepreneurial wealth as they were before. If, for example, you have \$1,000 and \$250 is forcibly taken away, you now have less money to exchange for the wealth you want. Many people will maintain that this makes no real difference to the economy. This \$250 is used by you to purchase a stereo or it is used by the government to finance the building of missiles, in either case men are being employed to produce *something*; people will be working, receiving income, etc.

The problem with this approach to the question is this: The purpose of economic activity is *not* to create jobs, provide paychecks, assure full employment, or any other such subjective. The purpose is, instead, the creation of those goods and services which men and women require in order to sustain their lives and improve their well-being.

There is a sure-fire system whereby full employment can be assured, but in which the entire population would starve to death. All that needs to be done is to divide the entire work force into two groups. Give the first group shovels and hundreds of bottles, and have these men go out and dig holes in the ground, fill the holes with the bottles, and cover up the holes. Then have the second group go out with their shovels, find the bottles, dig them up, and then bury them again for the first group to find. We could even "guarantee" a full forty hours of such work for every man, pay each man \$10 per hour, and hand out paychecks at the end of each week.

It is easy to see, however, that such a system would not produce food, clothing, housing, entertainment, transportation, communication, and the other things necessary to sustain life, and yet we would have "full employment."

When human energy, natural resources, and tools (including capital) are used to build ICBMs, they cannot, at the same time, be used to build automobiles. The more that government deprives us of the means of supplying our economic wants, the less we are able to sustain our lives.

In order to emphasize the effect of this drain on consumer wealth, let us point out the “cost” (not simply in dollars, but in the loss of consumer and entrepreneurial wealth) brought about by *one* government program: the “moonshot” program. It was estimated that the effort to land a man on the moon would cost anywhere from \$20 billion to \$50 billion. (It went above that in fact.) Let us use the figure of \$40 billion as our example. Based on a population of 200,000,000 people, the moon program cost every man, woman, and child \$200. For an average family of four people, the cost would be \$800. With this \$800, the average family in this country could each have purchased the following:

|                  |              |
|------------------|--------------|
| 1 television set | \$350        |
| 1 washer         | 250          |
| 1 dryer          | <u>200</u>   |
|                  | <b>\$800</b> |

Or, put in terms of the economy as a whole, this \$40 billion *could* have purchased the following:

|                                      |                         |
|--------------------------------------|-------------------------|
| 5,000 school buildings @ \$1 million | \$5,000,000,000         |
| 1,000 factories @ \$10 million       | 10,000,000,000          |
| 1,000 colleges @ \$10 million        | 10,000,000,000          |
| 1,000 hospitals @ \$15 million       | <u>15,000,000,000</u>   |
| <b>TOTAL</b>                         | <b>\$40,000,000,000</b> |

When you multiply just this one government program by the many others that exist, you can get some understanding of just what “political wealth” costs each of us in terms of goods and services we require in maintaining our lives.

There is, of course, the argument that government or political wealth is something that consumers demand. This is no more true than to say that consumers demand conveyor belts. The consumer isn’t concerned about how a product is manufactured or how the

beans in the can he purchased at the supermarket were produced and processed. He doesn't want the process, he wants the final result. That is why we call the things people demand in their roles as consumers *consumer wealth*. The producer is concerned with the process and requires entrepreneurial wealth to produce consumer wealth.

What people want from government, usually, is protection and possibly the services of a judicial arbitrator. But they don't want the courtroom or the guns the policemen carry. They want the end result. Therefore, we are confronted with the argument that the government is a kind of producer in that it provides either goods or services that all of us want as customers.

But this isn't true, either, if you examine it closely. The courtroom is the product of the marketplace. It is a part of a building that was put together by human beings using productive wealth in the processes of construction. What of the guns the policemen carry? The government doesn't produce them, either. Gun manufacturers make the guns. All government does is purchase these products from the productive segment of the market. The government doesn't really produce. It becomes a kind of specialized consumer for certain specialized types of goods.

We are going to take up the question of protection and judicial decision-making in a later chapter. Right now, we simply want to emphasize the peculiar role of government as it spends the money it has taken from others, who are both consumers and producers.

For a long time we have believed that governments are the only agencies that can provide protection or judicial decisions. But these services are provided by human beings and by tools and by various types of wealth, *all* of which are produced in the market.

Now let us examine what happens in a market when the government begins taking more and more tax money in order to provide more and more of the goods or services the men in government believe human beings ought to have. The first result is that we get a great many "public" improvements: roads, hospitals, golf courses, zoos, airline terminals, cemeteries, as well as armies, Pentagon buildings, and an enormous bureaucracy. Each of these purchases shifts purchasing power from the hands of

producers and consumers into the hands of politicians. This means that as this process continues, less and less purchasing power will remain in what we call the “private sector” and more and more of it will shift into the “public sector.” The net result is that there will be a decline in both the amount of goods and services available in the private sector plus a decline in the quality of those goods and services still available.

The next result is that consumers (all of us) begin to notice that, although we may have more dollars than before, prices are rising and the things we want are increasingly harder to find. So we begin to issue new demands. But note this. Heretofore, when we wanted an automobile we made our demand known to the market. And the market responded by making automobiles and we could purchase one. Now when we want something that the market doesn’t seem to supply to us in the way we want it, or prices it too high, we no longer go to the market to get the correction. We go to the government. Our complaints and demands become increasingly political and decreasingly economic.

Eventually, the government hears this clamor. The men in government respond by blaming the market for not doing its job. Actually, the shift in purchasing power into political hands is the reason for the deficiencies now appearing on the private productive side. But the government cannot admit that it is in error. Instead, it blames the men in the productive segment of the market and warns them that if they don’t get busy and provide the goods and the jobs that people want, the government will do it.

But businessmen are now helpless to meet market demands. They have listened too long to the lure of government contracts for the production of government wealth. They have been taxed to the point where they no longer have the resources to meet the demands with which government men are now threatening them.

The next result is that government itself moves into the productive area and begins to provide goods and services on a large scale. It either operates in competition with existing businesses or it uses tax money it has taken from producers to launch new enterprises. Examples of the former are the government employment agencies, the REA, and the postal system, which

compete very unfairly with private businesses. An example of the latter is the development of atomic power, which is, and has been from the beginning, a government monopoly.

The more government does, the less able the private productive area will be. As the process continues, more and more goods and services are shifted into governmental hands. Finally, we emerge with a system in which the major tools of production and distribution are entirely in the hands of the state.





## **Chapter 18**

# **Banking**

There is no time in history to which we can point and say, “The first banking transaction took place in the year X.” Some experts say the Romans invented the check about 352 B.C. and if that is correct, then we can safely assume that some form of banking preceded this action. Others give the credit for establishing the check system to the Dutch, around 1500 A.D., in Amsterdam. We believe it is much more likely that the 352 B.C. reference is realistic. In fact, many historians in writing of the activities and practices of the early traders make references to transactions that could be labeled as banking practices. It is probable in our view that the concept of banking, of the storing of valuables in a place for safe keeping, occurred whenever and wherever individuals possessed items which they valued and were concerned as to their own ability to keep these items safe from theft.

In pre-Biblical times, traders, priests, goldsmiths, and high government officials (kings, sultans, shamans, etc.) comprised the bulk of those who dealt with any accumulations of wealth. They were more than likely better equipped to provide places of safety and generally had a position of respect and reliability within the community.

Traders would necessarily have to deal in large amounts of goods and handle monies in relatively great sums. Priests, being generally respected and/or feared, would be an obvious selection if one required a sanctuary for valuables. The same would have been true

of government figures. Goldsmiths and silversmiths, due to their daily handling of valuable metals, would have been well equipped to provide suitable physical facilities and the very fact that they dealt in precious metals would go far in establishing their integrity.

So it seems reasonable that people would take their valued articles to any of these practitioners and deposit them for safe-keeping. While this afforded greater safety, it was quite inconvenient. For if you had a gold urn on deposit with the priest and you wanted to transfer ownership to someone else, it would have been necessary for both parties to go to the temple. You would request your urn from the priest, he would hand it to you, you would hand it to the new owner, and he in turn, if he wished to store it in a safe place, would hand it back to the priest. In this way, ownership of the urn was transferred. This process was effective, but obviously cumbersome.

An improvement was the use of receipts. The goldsmith or priest would issue a token of some sort, a coin, a clay tablet, or something to signify that the bearer had on deposit a certain item. This receipt could then be used as a transfer agent. From these beginnings, the introduction of checks would be a logical consequence. This could also have shaped the foundation of banking systems and fractional reserve banking.

Let us now call the safekeepers of articles of value or monies “bankers.” They are actually warehouse keepers, storing articles for owners and charging a fee for the service.

With the general acceptance of the bankers’ “warehouse receipts,” the owners no longer found it necessary to come to the bank to withdraw their possessions. The use of the receipt made the visit unnecessary. So the articles on deposit tended to remain in the bank for longer periods of time. In addition, the men involved in intercity marketing, the traders, embarked on caravan journeys that lasted for months and sometimes years. The traders’ deposits also remained in the banks for long periods. The bankers noticed this situation and reasoned, “We have all this gold in our vaults and only a small percentage is usually withdrawn. In fact, half of it never leaves our premises. As long as our receipts are respected and accepted in the community, why not issue additional receipts for

the gold we always have on deposit?" (In this illustration, 50 per cent.) So the bankers would then "sell" the use of the additionally issued receipts for limited periods of time, and the price they received for this service is called "interest."

It is here that inflation takes place. When the bank issued receipts equal only to the gold on deposit in its own vaults, new money was not introduced into the market. If the banker had 100 gold ounces on deposit and he issued 100 certificates, each redeemable for one gold ounce, then we can say the certificates (receipts, bank notes, etc.) are fully backed by a commodity money (gold) and each certificate is just as reliable as one ounce of gold. However, when the banker reasons that he can issue 150 one-ounce certificates with only 100 ounces of gold on deposit, he has in fact added 50 per cent more money to that in circulation. The store of the money metal has remained the same; the number of certificates has increased. Now, if everyone owning certificates were to attempt to redeem them at the same time, each claimant would receive not one ounce of gold for each certificate, but  $.666$  ounce of gold ( $100 \text{ ounces} \div 150 \text{ certificates}$ ).

The decrease in value from one ounce to  $.666$  of an ounce is the result of inflation. The quantities of the exchange medium (certificates) have been increased while the actual store of commodity money (gold) has remained the same. The effect would be the same if the quantity of certificates remained stable but the supply of gold diminished. Essentially, inflation is an increase in the supply of money. Therefore, in any system, whether we are considering commodity money, credit money, or fiat money, any increase in the total supply would constitute inflation.

When bankers issued more receipts than there were commodities on hand for redemption of those receipts, the banking profession took on some of the attributes of the insurance business. Bankers were prone to keep reserves, not on the basis of one-to-one, but on the basis of the laws of probability. Through experience, most bankers today generally assume that a ten-to-one ratio is sufficient, although there are others who will say that a twenty-to-one ratio is entirely safe. This procedure is always more risky than a one-to-one ratio. And there is a grave question in many minds as to its intrinsic honesty.

However, so long as this procedure remains in the hands of private bankers, the situation does not get out of hand in any general way. There might be an occasional “run” on a bank when a given bank issues more promises to make good than it has commodities for redemption. But these instances are not too common, and actually they are a disaster for the particular bankers involved. So no banker ever welcomes anything of this kind, and strives to adopt policies which reduce this risk.

Thus, in the free market, the failure of one bank stimulates the remaining banks, and the new banks getting started, to adopt a more conservative ratio on deposits. The entire profession benefits, not only by successful operations, but by the lessons it can learn through the examples of non-success.

Without going further into this point at this time, let us merely point out again that paper which is a certificate representing some named item on deposit somewhere is not fiat money. It is a kind of commodity-credit money. The person dealing with this kind of money is usually quite safe in his dealings, depending on the honesty and the conservative policies of those who are guarding the real valuables.

We have just described inflation in a commodity-based money system. Inflation occurs in a credit money system when additional credit is issued through banks and business operations.

Fiat inflation takes place when the government puts more currency into the market and places the same arbitrary value on the newly issued certificates. Any fiat money causes inflation, for it is the creation of money by government decree and has no logical redemption point in the market.

Empirically, government authorities have maintained control over the money supply as one of their most priceless privileges. As the activities of the marketplace precede the formation of government, intrusion into the money system is one of the first steps taken by those who gain power, although it may take many years before such control is fully obtained.

In this regard, a study of the development in the United States is interesting. From the outset the government was concerned with control over banking and money. Alexander Hamilton was one of

the early advocates of a central bank and was instrumental in the organization of the first bank of the United States in 1791.

The U.S. Constitution provides, in Article I, Section 8, that the Congress shall have power "to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures." Note that it does not state that Congress has "exclusive" power to mint coins. Private minting of coins was possible in the U.S. until 1863, when the National Bank Act was passed. The main purpose of this legislation was to provide a uniformity of design and value to the national currency, the unification of certain banks under national controls (heretofore the several states had exercised the only authority), and to aid the sale of government bonds by the requirement that all national bank notes be secured by the deposit of government bonds in the U.S. Treasury.

The act was slightly revised in 1864, but retained these essential characteristics. Some banks persisted in their own note issuance and resisted joining the national system. In 1865 an act was passed imposing a 10 per cent tax on bank notes issued by nonmember banks. This served to restrict the issuance of currency to national banks. The National Bank Act served as the foundation for the later development of the Federal Reserve Act.

A market money system has invariably been a commodity-based system. Whether the certificates in circulation are directly redeemable in gold (or other metals), or whether a credit medium such as vouchers, checks, promissory notes, etc. is employed, it has always related back to a fundamental commodity base. While individuals may accept one another's promises to pay at some later date, the promises always relate to a commodity-based evaluation. ("In sixty days I will deliver to you six bushels of corn or three ounces of gold." Or, "In sixty days I will deliver to you certificates redeemable for three ounces of gold.") Commodity money has come into use due to its voluntary acceptance and because commodities are generally held to be of value.

When national governments take control of a money system, they immediately move to establish a national currency. This national currency is initially backed by whatever commodities were

accepted in the market prior to government control. The first dollars to appear in the United States were backed by gold.

The development of the word “dollar” is interesting. In the sixteenth century a Bohemian, Count Von Schlick, minted one-ounce silver coins. He lived in the Joachim Valley, or Joachimsthal. His coins were highly regarded in Europe and were called “Joachim’s Thalers,” or “thalers,” and finally “dollars.”

The first U.S. dollars, then, were highly regarded. They were backed by gold, and public confidence was virtually automatic.

It is important to note that, while governments continue to impress their citizens with the value of the national currency (pounds, francs, marks, dollars, etc.), when governments deal with each other they invariably deal in gold. We are told that gold or silver in our money is unnecessary, that we can accomplish our exchanges with government certificates, that “legal tender” or, in other words, fiat money is really more effective in a high-powered economy such as ours. Gold and silver are unnecessary for transactions between individuals, it seems, but are extremely important for international payments.

As the citizens become accustomed to measuring exchanges in terms of dollars rather than gold ounces, the government removes more and more of the gold reserve from the currency. In the U.S., gold certificates were declared illegal in 1933. A “gold cover” was maintained for purpose of foreign trade, equal to 25 percent of the currency in circulation. Currently there is no direct backing in either gold or silver and all United States currencies in the domestic market are fiats, although we continue to refer to them as “dollars.”

The monopoly control of money and credit in the U.S. was brought about by the creation of the Federal Reserve System. Karl Marx, in his *Communist Manifesto*, outlined ten measures to be carried out. Point five states: “Centralization of credit in the hands of the state, by means of a national bank with state capital and an exclusive monopoly.”

## **PART THREE:**

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# **MAN & SOCIETY**





## Chapter 19

# Early Man

The planet earth, which we inhabit, is unique in our solar system. It is a world of green and gold and blue, with chlorophyll plants providing the emerald and olive tints, the earth itself casting the shades of gold that blend into reds and yellows and browns, and the mighty oceans reflecting the shades of azure from the sky that reaches into infinity.

Above the earth, water condenses into clouds, sometimes fleecy white, sometimes dark blue or black, from which comes the moisture upon which all life depends. This earth is tilted at its axis. It does not spin like a top; it oscillates as it spins, providing the variation of seasons. It combines the motion of a gyroscope with that of a pendulum.

Anthropoids live on this earth amid a great many other species of living things. The word *anthropoid* means “man-like.” When this word is used, the intention is to show that man is similar in certain respects to other animals, notably the anthropoid apes. The anthropoid apes are all of the family of *Pongidae* and include the gorilla, the chimpanzee, the orangutan, and those gibbons without cheek pouches or tails.

The fact that there are similarities among all the anthropoids does not mean that they have descended one from the other genetically. On the contrary, most anthropologists maintain that man may resemble the anthropoids because of a common ancestor they may have had many millenia ago.

The study of anthropology not only reveals the similarities among all anthropoids, it also reveals the differences, which are usually sharp and clearly delineated.

In describing human beings we usually do not call them anthropoids. We call them "*humans*." Evidence has been found which tends to support the argument that humans or humanoid (human-like) creatures have inhabited this globe of ours for more than a million years. The explorations of Professor L. S. B. Leakey, conducted in the Olduvai Gorge in Tanganyika, Africa, tend to show that humanoids have lived on this earth much longer than the million years most scholars accept.

In addition to the discovery of certain humanoid bone fragments, Leakey uncovered literally thousands of tools made by creatures who were decidedly man-like (humanoid). These tools are dated by various scientific processes as having been deposited in the strata where they were found as long as two million years ago.

These findings have created a major dilemma for scholars. It has been common practice to presume that one of the major differences between humans and anthropoids relates to the tool-making ability. As a rule, anthropoid apes do not make tools. But as a rule, humans do. The discovery of these tools can be interpreted to mean either that tools were not first developed by man but by apes, or that tool-making, man-like creatures have been living on this planet at least twice as long as has been generally conceded.

Another bit of research is raising still more questions in this area. Baroness Jane Van Lawick-Goodall spent many months in Africa since 1960, studying the living habits of the chimpanzee. She brought back evidence that chimpanzees devise tools on occasion.

The problem, then, of determining when man qua man appeared and began to experience the same type of problems we all experience remains a moot point. Quite frankly, we don't know. And adding to the difficulty in making a final and conclusive decision is a school of thought which, basing its argument on divine revelation, contends that the evolutionary story of slowly developing related forms through the process of natural selection is incorrect. While it is impossible for this school of thought to support its position on the basis of either evidence or logic, it is

entirely within its purview to point up the flaws in the evolutionary theory. Evidence does exist in support of evolution. But there are enough gaps and suppositions so that a determined critic can justifiably claim that evolution is still only a theory and has never been conclusively proved. Into this cauldron of controversy we must peer, at least briefly, if we are going to try to find out much about ourselves and our forebears.

What we really want to learn is the history of man. Not knowing when human history started (whether it evolved from lower forms of life or whether it was created by cosmic intervention, the point of beginning is still missing), it is difficult to ascertain the factors which first influenced man's actions and decision making. But if we can refrain from asking the question of the origin of tools and accept for the time being that man is a tool-making creature, we can begin to close in on our subject. It is certainly obvious that man is characterized by his tools, even if it can be argued that here and there a few other living things may also have devised tools.

If we recognize that man and tools provide a fundamental relationship, then the work of the anthropologists, archeologists, and paleontologists, as well as that of the ecologists and the economists, can help us to roll aside the mists of time.

Tool-making and tool-using anthropoids or humanoids have been on this planet at least a million years. It is not less than this and it may be considerably longer, provided the methods of dating artifacts are relatively reliable. This million-year period can be arbitrarily broken into segments on the basis of the numbers and kinds of tools employed and the general type of economy in vogue for different humanoids at different times.

Since we are not really concerned with anthropology, but are seeking to understand human history, we will avoid anthropological language as much as possible. Rather than dealing with words such as *Neanderthal* and *Africanus Robustus* and so on, we are going to make a very broad general classification and refer to early men or early man-like creatures as *savages*.

In using the word *savage*, we do not intend to denote ferocity, but rather primitiveness. So, we will simply say that humanoids (man-like creatures or man as man) have lived on this planet for a

million years or more, and that when we first take note of the tools they made and begin to learn something about their ecology and economy, they are living in a state of savagery. Because this state of savagery lasted for a very long time, we'll break it into subheads and refer to the periods involved as *lower savagery*, *middle savagery*, and *upper savagery*.

Passing from savagery into the next stage of development, we find men living in vastly improved circumstances, which have certain characteristics we will refer to as *barbarism*. In other words, men advance from savagery (primitiveness) into a state of barbarism (racial adolescence), and to try to be as definitive as possible we'll refer to the period of barbarism in three segments: *lower barbarism*, *middle barbarism*, and *upper barbarism*.

Putting these two earliest systems of economic survival into a time chart would look like this:

| <b>SAVAGERY 990,000 years</b> | <b>BARBARISM 7,500 years</b> |
|-------------------------------|------------------------------|
| lower savagery 600,000 years  | lower barbarism 3,500 years  |
| middle savagery 360,000 years | middle barbarism 2,500 years |
| upper savagery 30,000 years   | upper barbarism 1,500 years  |

Using the million-year concept, this would mean that man has been living in a state of savagery or barbarism for 997,500 years. It is only in the last 2,500 years that man has begun to throw off the shackles of barbarism to emerge as a species often referred to as civilized.

It must be emphasized that these time segments are introduced only for the purpose of assisting our thinking and do not represent precise lines of cleavage. Actually, no such lines of demarcation ever really exist. For instance, it is not true that one day all middle barbarians woke up and said: "Let's stop being middle barbarians and become upper barbarians." No such milestone or instantaneous turning point can ever be found.

It is true that some developments followed rather striking innovations. But nothing can be found to encourage the thought that all men acted in concert either to advance their own situation or to impair it. Each development merged with later developments.

Innovations were almost always inspired by rare individuals, persons who lived in advance of their own immediate cultures and who did pioneer work. Later, their pioneering would be followed and improved upon by others.

Another comment should be made to prevent the drawing of an erroneous conclusion from these arbitrarily assigned dates. By using them, it is made to appear that approximately at a given date, a new way of living or managing appeared and within a short time the old ways were abandoned and the new ways adopted. This has never been true.

Rather, what is meant is that back about 400,000 years ago, the most primitive peoples we can imagine—probably man-like creatures who used tools—entered a period of transition. In this period, a *few of them* improved their tools and moved forward toward better ways of doing things. But the bulk of them did not improve. They clung to the old ways. Thus, what we have called lower savagery didn't die out simply because middle savagery occurred. Rather, the lower savage probably continued much as before and never did change. In fact, it is quite likely that lower savage peoples lived right up to the last of the glacier periods before they disappeared. So although newer and better ways of doing things were adopted by some humanoids, others made no adaptation. Failure to make such adaptations may have led to their extinction.

Even today in the twentieth century when, in theory, man has begun to move toward what is called civilization, we still find other men living in backward ecological and economic situations. We still have some stone-age peoples alive in the same world where we have learned to orbit man-carrying space craft and are talking confidently of sending living beings to other planets.

In other words, the advances that may be made by some by no means indicate that these same advances will be shared by all. Thus the dates which are quite arbitrarily ascribed to various periods mark the *opening* of a new epoch, but do not mark the closing of the old.

Innovations are rare and hard to come by. But the abandoning of old ways is infinitely more troublesome. Learning something new is

always hard, but unlearning that which we have accepted from prior times is harder.

This observation should encourage us to consider the factor of change. Change is probably one of the unchanging certainties in this world. But we must keep in mind that change is not always beneficial. Nor is it always harmful. Change is simply inevitable and is bound to occur in any world inhabited by living organisms with value systems. If we oppose change, we will never make progress. If we favor change for its own sake, we may find ourselves moving from bad to worse, just to keep moving. No progress can occur without change. So we must always be willing to accept the idea that something new may turn up that will quite eclipse in value anything that has gone before.

At the same time, we must bear in mind that changes have often occurred which destroy and hold back human progress. So there is no requirement that we welcome change, whatever it may mean. We must learn to evaluate the nature of the change on the broadest possible scale. Probably the most vital idea to keep alive is the concept that any individual who wishes to experiment with change should be free to do so, provided he does not inflict his change upon others against their wills. If the results of change alter circumstances for others, it is their retention of freedom to deal with these circumstances that matters.

For instance, when automobiles were first devised, they were dangerous and unreliable. But no one was compelled to risk his life in one. If a person wanted to experiment with a horseless carriage, he was free to do so. It was obvious to many that if the automobile was permitted to develop, the horse and buggy business would become obsolete. Along with its obsolescence, the harness maker, the buggy whip maker, and others would find their goods and services unwanted.

There can be no doubt that the advent of the automotive industry injured materially the horse-drawn vehicle industry. Here was change, and it was change that brought damage to thousands. But it was competitive change and not coercive change, irrespective of the damage. No individual was compelled by any other individual to get into the automotive line or to abandon horses. No person

was compelled to buy an auto rather than a buggy. Many may have felt compelled by *economic circumstances* to make this change. But when circumstances rather than human employment of force cause us to revise our actions, we view such developments as a natural and uncoerced result of change. If, on the contrary, the force of law and government had been invoked, either preventing the experimentation in automobiles because of the danger involved or, conversely, compelling everyone to abandon horses and automate, then we would have to view the change as harmful and immoral.

In short, it isn't the nature of the change that is the prime concern. It is the retention of individual liberty so that those wishing to change may do so and those wishing not to change may reject change. If we keep this voluntary method of decision making, then it follows that only changes which are accepted by substantial numbers of individuals, exercising their own individual judgment, will ever endure. And in a very real sense, this is the meaning and practice of democracy.

Implicit in marketplace democracy is the understanding that however popular a change may be, no one may ever force another to accept it. This is, of course, quite different from political democracy, wherein by ascertaining where the majority stands, the minorities are compelled to accept the majority position.

It is just this type of voluntary change that has brought man forward out of savagery and barbarism. Quite a number of knowledgeable people have observed that reliance upon government is almost always inspired by a desire to prevent change and to preserve the status quo, whatever it may be at a given moment. In short, the state usually acts in restraint of change, including restraint of trade.

But in the beginning we did not have governments. Even so, changes came very slowly, for men lived under the terrifying conditions of a primordial world. Survival was precarious. Life was hard, cruel, and short. The evidence we have—admittedly sparse, when we go back a million years in time—reveals that men acted in organized hunting and foraging groups. The leader of these groups was undoubtedly a skillful hunter or forager, rather than a politician. In a sense, the tribal unit was a kind of business

corporation under the direction of a skillful manager. There wasn't time to play at politics or to dream up taxes and public benefits. All the time available had to be committed to staying alive. All the energy available was expended directly in finding enough food and managing somehow to live safely through each dangerous and perilous night.

No evidence has been uncovered thus far that primitives survived in isolated splendor, as rugged individuals. On the contrary, they organized into tribal corporations, with a leader directing the group efforts toward survival. Nor could they have managed any other way. The time, strength, skills, and energy of a single human being were never sufficient for him to face an untamed wilderness, a million years ago or even today. We need each other. The brotherhood of man is not a visionary ideal; it is a hard, incontrovertible, unpleasant, and unwelcome fact. It has always been so.

In that first 600,000-year period of lower savagery, man learned to make the hand ax. It had no handle and was apparently an all-purpose tool. Man may have devised other tools as well, but if so they have not been found.

Possibly one of man's most effective attributes was his ability to communicate vocally. The skills with which men organized indicate that precise communication of complex ideas was possible. Organization itself is a kind of human tool. During that early time, fire was discovered and became one of man's most effective tools.

Some of these early men were cannibals.

With the passing of long ages, changes slowly came about. One of the earliest truly significant developments was the formulation of primitive religious beliefs. Undoubtedly such beliefs were inspired by curiosity and concern about what happens to a person after death. This, in time, gave rise to careful burials and a gradual abandonment of cannibalism. If it is believed that the departed spirit is going to reclaim his body at a later time, one might not wish to be viewed as a receptacle for some portion of that body by an avenging spirit.

With careful burials we find the beginning of primitive rituals and dances. Shamanism emerged, the early witch doctor being, in



effect, the first psychologist concerned with the psyche and the subtleties of the human mind. The shaman introduced tribal religious custom and practice built upon an elaborate structure of totems, fetishes, and animistic deities. In many early tribes, the task of learning all the taboos and tribal religious customs occupied the child from the moment he could toddle until he reached puberty and was admitted into an adult lodge.

It is likely that religious beliefs gave rise to an interest in various art forms, including the dance and the drama. It certainly inspired the carving of masks and the employment of rich pigments in coloring both the bodies and the surroundings of primitives. Along with decoration came amulets and beads and fertility images of various kinds. Clothing is probably an extension of man's yearning to decorate his body, rather than a thoughtful method of dealing with bad weather.

Accumulation of various items of property gave rise to a desire for some kind of container in which to pack them away. Basket weaving emerged as a supplement to the use of skins and bark. Later, items of pottery were formed from clay. And when the clay was baked and made with a hard and oftentimes colorful glaze, we had the emergence of the ceramic and china industry.

Naturally, all these developments came slowly. An innovation was probably not welcomed at the beginning. In fact, shamanism would have militated against any disruption of the codes and taboos the tribe had once accepted. The shaman, although not a political leader, did wield enormous influence. He and the hunting chief doubtless were competitors for the love and support of the tribal members. Anyone disrupting this relationship might readily have been viewed as an enemy and treated accordingly.

In the beginning of lower savagery, it is presumed that the only dwellings were caves. Otherwise, man lived without shelter and indeed without much else for his comfort or survival. By the time we pass to upper savagery, we find men engaged in a primitive housing industry. In some parts of the world, shelters were made of reeds or grasses or small branches woven together. In other places, shelters were made of bark or skins. However constructed, the shelters were small, uncomfortable, unsanitary, and nondurable.

Savages are viewed almost always as migratory people. They roamed the earth following the game trails and the migratory flights of wildfowl.

Even when they developed the ability to build houses, their villages were usually abandoned after a few years. The houses became uninhabitable. Or nearby land which was cleared for some simple crops was reclaimed by wild jungle growth in a year or so, and the tribe moved on.

In upper savagery the first beginnings of agriculture are noted. Root, berry, and grain crops were used to supplement the basic diet of the hunt. Along with these improvements came a vast improvement of tools. The stone ax grew a handle. And then its shape was altered and we had a spear. Before too many more years, primitives had bows and arrows and, depending on location, other types of missile weapons, including the atl-atl or throwing stick, the sling, the bolo, and the boomerang.

Basket weaving developed into the weaving of cloth for textiles. By the time men were ready to advance into barbarism, they had come a long way from the brute they so much resembled nearly a million years earlier.

The major change that occurred with the development of barbarism is related to two factors, one economic, the other socio-political. The economic factor was the unprecedented growth of agriculture. Instead of the kind of agricultural development where the food supplies were basically the product of the hunt, there now occurred a shift where the food supplies were basically those provided by the farmer and the herdsman. The hunt might serve to provide sport and a supplemental diet. But the far more reliable food supply of agrarian development changed man's entire method of survival. As a matter of fact, it could be said that man's first major economic revolution was the agrarian revolution. It brought man out of the jungle permanently. It turned him into a landholder and finally into a landowner. He became a solid citizen. Man settled down permanently on clearly identified tracts of land that for generations were passed from father to son. The importance of the family supplanted the importance of the larger tribal unit. Ideas of private ownership proliferated, as did the tools of agriculture and improvements in household appliances and conveniences.

Accompanying this economic development was the development of both military and political organizations. The government and its handmaiden, the military, emerged from the bush. There is a vast difference between the hunting chieftain and the political leader. There is a 180-degree turn from a hunting party following the trail of a deer, to a military expedition making a foray against a neighboring village.

Now, the land became the key to everything. Whoever controlled the land controlled the wealth as well as all the people living on the land. No longer did men travel endlessly across the surface of the earth, subject to the vagaries of game and weather. They now improved their dwellings, building them of stone and decorating them with colorful stucco. Instead of moving when a building became too cramped or too filthy, they cleaned it up and added other rooms. To make their homes more secure, groups of them would huddle together. And around them walls sprang up making defense both feasible and predictable. To hold the land and to control the people, governments were formed.

There is little doubt that all governments were born in violence. While savage peoples may have had occasional tribal wars, in the main they confined their efforts to economic matters. They had to. But with a more reliable food supply created by agriculture and the herdsman, men began to develop surpluses. They didn't have to work as hard at just staying alive. They began to develop a leisure class. The leisure class became the political and military class, which produced nothing and lived on the surpluses created by others.

Some have contended that governments were invented by savages. There is no doubt that savages had tribal organizations and that these organizations were, at times, autocratic and cruel. But once the chief can be supported without working and he can maintain men at arms and conduct warfare, we have actually moved out of the savage era into barbarism. Governments are characterized in their origins by being nonproductive and hence surviving on the surpluses others produce. They are also characterized by being aggressive, although they are customarily hailed as defensive and protective devices. And they are the development of highly skilled barbarians, not savages.

Theology is a development of the primitive period and precedes government. Government is the development of the more ferocious barbarian and is, in that sense, the outgrowth of theology.

## Chapter 20

# Emerging Man

Barbarism begins with the invention of government and the agrarian revolution. It is characterized by a remarkable improvement in the human situation as a better and more reliable food supply is produced to overcome the uncertainties of hunting and foraging. Agricultural tools improve as do the tools of war. Human organization, instead of resting on tribal custom of a totemic nature or upon economic necessity, shifts to reliance upon force and coercion. In *lower barbarism* all these things become apparent.

When *middle barbarism* came, with possibly its first trace appearing as early as 6,000 to 6,500 years ago, the principal development appears to have been the discovery of soft metals. The use of metals made only a minor impression at first. But as time passed, the durability of metals and the sharper edges of tools made with metal caused the new industries to flourish. At first, the metals were extracted from their ores by the simple expedient of pounding. Painfully and through long ages, probably as often by accident as by design, improved ways of extracting metals were discovered. Smelting began and with it the development of valuable alloys. Then, finally, about 4,000 years ago, the first true iron was produced, which provided another minor revolution and ushered in the period of upper barbarism.

*Upper barbarism* is a period of relatively high standards. Perhaps the most outstanding development of the period is that of written languages and mathematical symbols. Written symbols and

picture communication had occurred as early as upper savagery. But now alphabets were designed and it became possible to record specific events. Schools were organized and it became possible to capitalize on the knowledge gained in prior centuries.

It might help us to get a quick glimpse of man's slow progress out of the dawn of time by looking at the following descriptions:

**1,000,000 B.C. to 400,000 B.C.—Lower savagery:**

Verbal communication. Economic organization under a master hunter. Fire. Cannibalism. The stone ax.

**400,000 B.C. to 30,000 B.C.—Middle savagery:**

Development of ritual, the dance, and drama. Art forms. Personal adornment. Basket weaving. Ax with handle. Crude spears; needles; harpoons. Shamanism. Careful burial.

**30,000 B.C. to 9,000 B.C.—Upper savagery:**

Pottery. Clothing industry including textiles. Missile weapons. Domestication of dog and other creatures. Primitive house building. Primitive agriculture. Picture writing. Development of organized production. Primitive trading. Probable first use of money. First private ownership.

**9,000 B.C. to 5,500 B.C.—Lower barbarism:**

Agrarian revolution. Vast improvement in agriculture and in animal husbandry. Improvement in building industry. Land now claimed as private property. Formation of government and military organization. Improvements in weapons, both offensive and defensive. Building of walled cities. Irrigation.

**5,500 B.C. to 3,000 B.C.—Middle barbarism:**

The age of metals. First crude art objects. Tools of soft metal. Extraction of metals by pounding; development of smelting; vast improvement in use of metals; iron.

**3,000 B.C. to 500 B.C.—Upper barbarism:**

Development of written languages and mathematical symbols. Relatively high standards of living, especially in urban centers. Schools.

Using this way of examining the past we could say that man began to emerge as modern man about 500 B.C., or with the

development of a high degree of culture in the Greek city-states. This is not to suggest that the Greeks prior to the Christian era had thrown off all barbarism. They certainly felt that they were civilized in comparison with others. Herodotus refers to the Persians who invaded the Attic peninsula as barbarians.

Before we consider the developments of the most recent 2,500 years, there are two points that should be brought out and emphasized relating to man's very early experiences. These two points relate to marriage and property ownership.

Man has always been a two-gendered species; thus, there has been biological necessity. He has always been bound in some degree by economic necessity (he has to work for a living). He has always had the necessity of communication, indicating that he has always tended to live with others of his kind. So, in the center of man's basic drive to improve his own situation (to profit), he has been governed in part by biological necessity, by economic necessity, and by communicative necessity.

From the information available, which in earliest times is so meager as to be almost totally lacking, it appears that men did not have the concept of private ownership at all. Having no concept of ownership, early man had no moral concept, no idea of right or wrong. Property was a matter of possession and it is entirely probable that those items deemed valuable enough to be worthy of possession were thought of as belonging to the entire group of humans present—the tribe or clan. Each group could possess what it wanted if it was strong enough to hold it.

With the introduction of shamanism and the decline of cannibalism, probably based upon the assumption that the departed might like to reinhabit his own body at a later period, came concepts of morality that at first were encased in taboo and fetish, in ritual and the overarching view that the tribe had rights as such.

Yet, emerging through this was respect for the man as a person, especially for the man who had performed some feat of strength or courage. It is likely that early man did not think of himself as having any particular individual value. His merit derived from service to the tribe. The tribe was everything. Anything could be sacrificed for the tribal good. Food supplies belonged to the tribe. The hunt

was for the tribe. The women belonged to the tribe. So did the children and the men. Tools and weapons were tribal. The territory occupied was tribal.

It is quite likely during such a period that the family unit we think of as basic to human survival did not exist. Some writers have suggested that the marriage situation under such circumstances could be described as "consanguine" or "homogenous." That is to say, everyone was related to everyone else, and very little in the way of permanent bonds between couples or their children existed. Indeed, it can be shown that the male role in procreation was neither understood nor even known to exist. Birth would have been an unexplained mystery, seized upon by the shaman as proof of his magic powers and his communication with the appropriate deities or demons.

Traces of consanguine conjugality have not been found, but are merely conjectured. What has been found is a rather highly evolved system of group marriage which has been called "punaluan." This is, apparently, an Hawaiian word and relates to the marriage system in vogue in the Sandwich Islands when they were first discovered by Captain Cook.

In this system, which has obviously been in rather wide usage in various parts of the savage world, tribes are divided into smaller groups or clans, and each of these smaller units contains members of a single sex. In this group concept, which is supported by elaborate ritual and taboo, all of the males in one clan are presumably married to all of the females in an opposite clan. This is not to say that there is indiscriminate mating between these two groups. Rather, all mating that does occur must occur here. A man may have one or several wives who come to do his work for him and who live with him and who bear children by him. But the only women available to him are from the appropriate clan. To take a wife from other than the designated group would be viewed as a violation of the most sacred taboos. Curiously, each man is viewed as the husband of all the women in the appropriate clan. And all the women are viewed as married to all the men in the corresponding unit. They certainly do not live together, yet their greetings to each other indicate a marriage concept entirely foreign to our own.



For marriage as they view it is a clan relationship having little or nothing to do with cohabitation.

Children born under these circumstances are reared in clans other than those containing their real parents and are viewed as the members of the clans in which they are reared and not the clans in which they are born. Very careful taboos prevent brothers and sisters from being reared in paired clans, so that a rather strong system of eugenics is practiced.

Descent is matrilineal, for the child will probably know who his mother is, even though he may not know the identity of his father. All of the men in the appropriate clan are viewed as his father, and in a very real sense all of the women in the clan to which his mother belongs are also viewed as his mother. Thus, an entire clan is his mother, another clan is his father, all the males in his own clan are his brothers, all those in another clan his sisters; and this process of clan relationship is carried out even to second cousins if the tribe is numerous enough. Under these circumstances, everyone is related to everyone, if not by blood at least by tribal custom.

What we see here is the beginning of the family unit. But the important male in this collective arrangement is never the father of the child. He is, rather, the older brother of the mother.

In both of these early systems of marriage (consanguine and punaluan), the one conjectural, the other a matter of careful and painstaking research, there is little incentive toward private ownership of property or the emergence of any ideas of the importance of a single individual.

But with the development of the family and the discovery that men played a decisive role in procreation came the desire to assume individual responsibility for rearing the child and with it the significance of privately owned and controlled items of value. There are other marriage systems and practices that we need not explore. What is of interest, in the broad view we are attempting to develop here, is that as ideas of individuality and personal significance emerged, ideas of private ownership of property appear to parallel them. As private ownership of property became a matter of significance, along with growing awareness of right and wrong behavior, standards of living improved.

It is possible to observe that the ability of man to survive in a kind of economic socialism is sustained by the evidence. But it is apparent, from the evidence at hand, that economic and political socialism do not permit innovation. Standards of living do not improve when tribal values supersede the values of individual persons. As long as men feel that they are a property belonging to a larger unit, the tribe, there is little incentive for the extraordinary effort necessary to produce a surplus. But once private ownership and the concept of right and wrong emerge, then incentives to profit are permitted full sway. Then innovations are made and improvements occur.

Further, the evidence is overwhelming that the enormous length of time taken by early men to improve their situation does not relate entirely to a lack of intellectual conceptual ability. It relates to the lack of incentives and to the fact that innovators could very probably be viewed as enemies, since they would tend to upset the tribal codes and taboos. Progress was painfully slow. The status quo had to be preserved at all costs. And shamanism as well as early governments acted in restraint of change and innovation. So, we should see that man's forward motion out of the jungle into a better way of life has been at a snail's pace until recent times.

Another factor must be mentioned. By encapsulating all of this information in so brief a form, the idea may emerge that although the length of time has been long, man's forward and upward motion has been steady. This is not the case. Human innovation has been cyclical rather than constant. And there have been many periods when what had been learned before was nearly forgotten as retrogression and degeneration set in.

What appears significant is that human progress seems to parallel ideas relating to the private ownership of property and to concepts of right and wrong based upon property ownership. Also, it appears that man's progress has been greatest at those times when he was relatively free of restraint, either of a psychological nature, induced by taboo, or of a political nature, induced by force.

But we must now consider the final 2,500 years which bring us up to the present time. Possibly, if we knew enough about it, we might divide this period into three major epochs. But we are too close to

the picture and, besides, such subdivisions are not precisely drawn.

Before considering this last period, we must employ a name to cover it. It is habitually referred to as the civilized period. But possibly we should resist the use of so elevated a term. Of course, the word *civilized* itself relates to *civil* or *civic* and has to do with man living in well-managed urban centers. So, technically, it is undoubtedly correct to refer to modern man as "civilized." But in usage, the term *civilized* has taken on additional meanings and now hardly has application in respect to urban developments. When we use this word, we are customarily thinking of an abstraction that is the opposite of wild or abandoned, barbarian or savage. A civilized man is a man who has developed to the point of being tame, as opposed to wild. He not only has a culture, he has a refinement in the culture. Conceivably, a civilized man is one capable of using reason in place of superstition or taboo. A civilized man is clearly not a savage or a barbarian. And if he is not savage or barbarous, it must be that he has put aside savage and barbarous practices.

Obviously, we live at a time when our contemporaries still practice some measure of savagery and barbarism. And so we will refer to the last 2,500 years as the period of *postbarbarism*.

Why this name? It seems the only appropriate one. Technologically, we are civilized. Our ability to deal with the physical sciences is unparalleled. There is hardly a problem we might consider to which an answer cannot be found, *if* we are dealing in the physical sciences. But even as we have advanced in technological competence, we have lagged miserably in sociological understanding. Intellectually, we are capable of civilization. But in practice we are still bound by savage and barbarous behavior.

Millions of persons now alive are nearly as superstitious as our primitive forebears of 30,000 years ago. So we are a people capable of civilization, but we have not yet thrown off the past. We have a hyphenated culture, half-civilized, half-barbarous. We ought to be beyond barbarism, but we aren't.

Not only are we the victims of superstition, including common belief in numerology, incantation, and little green men from other planets; we are the victims of reliance upon a barbaric use of force as is revealed in our constant reliance upon force and violence, both domestically and on a global scale.

The badge of the savage is the totem and the fetish and the charm. We still use them. The badge of the barbarian is the war club, and its modern derivatives in terms of weapons of human destruction. We still rely on these things. The former holds us in psychological thralldom, the latter in political and military servitude.

But our period of time can be called postbarbaric because we are capable of better things. Our technology proves it, even if our common practices do not.

And that brings us to a very important point in our thinking. As has been shown, each man controls himself; he is the only possible manager of his own time, energy, and skills. And each of us can make a decision as to what he will do and how he will do it. This is probably the only truly significant decision any of us can make. As was indicated, at least to some degree, progress has come to mankind when innovations have been made. The innovator was, in virtually every case, an individual, not a group. Ideas are engendered in individual brains and carried out when circumstances are favorable, that is, when sufficient freedom exists so that a man may choose to run his own risks and stand or fall on the consequences of his actions.

When the handle was first invented for the stone ax, it is reasonable to assume that some one man thought of the idea. It certainly was not the product of a committee meeting. That man, whoever he was, was ahead of his time. He was not content with the hand ax. So he improvised and came up with an innovation.

Take a look at the listing of developments on the first pages of this chapter. Note how the development of the hand ax preceded the development of the handled ax. Note how the development of primitive agriculture was followed by increased agricultural understanding. Note how the development of early metallurgy led finally to smelting and alloys, and the development of writing led to history, textbooks, and schools.

Coming events cast their shadows before them. Each innovator stands on the shoulders of giants who lived in prior times. And the reason this development is being stressed is this: No doubt you have lived long enough to have met and talked with a few persons who,

in the context provided here, could be called civilized men. The writer has. Not many, it is true. But here and there during a busy life it has been a privilege of the writer to have met and talked with a few persons who were neither savage nor barbarian. These are men and women who live in postbarbaric times, but who have a way of living in advance of the times we are in. Could they be the innovators of a true civilization? It is possible. The persons to whom reference is made are psychologically free. They are not bound by superstition and fetish. They are beyond that. Also, they are not bound by the war club or the employment of force to work their wills. They live in the world employing logic and reason and love. If superstition is offered, they simply break off communications. If violence is offered, they do not participate, they withdraw. Nor are they exhibitionists seeking to attract attention to themselves. They live strong, firm, constructive private lives.

In a postbarbaric time, it would appear that each of us has this kind of choice. We can choose to emulate the barbarian; we can choose to emulate the postbarbarian; we can choose to act as civilized men and women.

To emulate the barbarian is to rely on force. This would mean active involvement in all coercive undertakings. It might mean military, political, or criminal procedures. It might be a very profitable way for a person to live, for certainly great rewards today go to barbarians.

Or, a person might choose to be a postbarbarian. This would be to emulate the average. Take no stand at all. Merge with the group, be a part of the herd. Have no opinions that are not popular. And be ready to adopt the opinions of any group you happen to be in at the moment. Seek conformity, compliance, and security. Don't worry about your freedom, worry about fitting into the prepared niche. This, too, can be profitable. And there are few risks. Everyone will understand you for there is really nothing that requires effort to understand.

Or a person could choose to be civilized. And this would be to put aside all traces of barbarism and savagery. It would be risky. For such a person could often be misunderstood. And in a world where violence is an everyday affair, not being understood could

have serious consequences. But today, the man or woman who wishes to be civilized has a high calling. And in the sense of personal satisfaction, the highest profits of all can be found here. You might not attain fame or fortune. But you might have justifiable self-respect.

President James M. Hester of New York University once made this observation:

Developing the ability to make mature choices of ideals and standards for our private intellectual lives and for our personal conduct is the foundation of the sense of personal honor that can enable us to live effectively in the modern world.

The difficult process of establishing standards for our lives...is the most critical part of education and a part in which each of us is in full charge of himself. In previous times, when personal values were associated almost exclusively with religious beliefs...teachers often taught personal values as an expression of the religious doctrine accepted as truth for the college. Now each of us tends to be on his own in choosing personal values... You are the planner, the architect, the artist who is designing your moral and intellectual life. This is the basis of personal honor.

We would add that this is the basis of civilized living. Are you ready to be civilized? Only you can answer that question. But those who know you can detect the results of your decision.

Will you resolve always to pay your own way so that you are never a burden on another against his will? Will you resolve to solve your problems without relying on the use of violence? Will you resolve to use truth and logic and evidence in making your decisions?

Right now, this nation and this world we are in can use a great many civilized people. They are in scarce supply. Therefore, they are very valuable.

Not one of us is big enough to have been responsible for all the problems we face. Not one of us is big enough to provide a full

solution to all these problems. The best any of us can do is to be a part of the whole, one way or another. This is to say that you can decide to be a part of the problem, or you can decide to be a part of the solution. But you can make up your mind for yourself.

Civilized innovators are desperately needed. The most important of these might be the very person whose eyes are following this line of type right now.





## Chapter 21

# History In Cycles

Having viewed in broad panorama the prehistory of man, it is time to move in more closely to examine the historical record.

As students of liberty we are not as concerned with the names of political leaders and the dates of major battles as we are with the general nature of events and ideas held which either added to or subtracted from the sum total of human liberty.

In a very broad and general way, we can see that man has been able to improve his situation in direct ratio to his ability and willingness to assume individual responsibility. This is exemplified in his marriage customs, in his sense of personal involvement in child rearing, and in the development of the complex abstract concept of private ownership of property.

Remember that moral ideas, a general philosophy of what men ought to do and ought not to do, arose from the grasp of the importance of the boundaries of private property. Ideas respecting the sanctity of private property were an essential if man was to retain control over sufficient property to ensure his survival and well-being. So ideas of private ownership gradually began to supplant ideas relating to mere possession of property.

However, as we know, the dichotomy between these two ideas relative to property, *ownership* as opposed to *possession*, has not yet been fully resolved. What is incumbent upon us is to seek to determine which concept comes closest to fulfilling the desires of man, so that human well-being can be maximized.

If property should be viewed as merely a temporary possession, will this improve the human situation? Will we have as much production? Will we have higher standards of living? Will our freedom be enhanced? Or, conversely, if we accept ideas of private ownership, will the human situation be improved?

As Dr. F.A. Harper points out in his book, *Liberty—A Path To Its Recovery*, there are only three known ways of dealing with property. We will have a system in which everyone can take anyone's property any time he pleases; some people can take property from others; or no one will steal at all. That covers all the possibilities.

History can be said to have begun with the first written records. Archeologists and other scholars are still exhuming ancient records and it is too early to assume that all of the facts are known. So there are conflicting views as to the real chronological origin of history, as opposed to prehistory. Most who study in this field concede that history as such began about 6,000 years ago, or about 4,000 B.C. Others argue that if we go back that far, we are really talking about prehistory and they prefer a 5,000-year span. Still others contend that we have enough written records to push the gate of human history back to about 7,000 years ago.

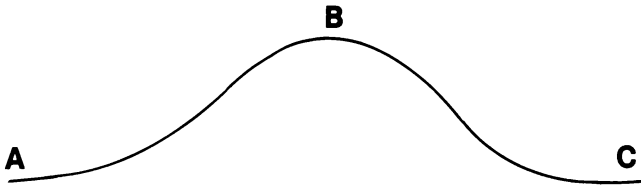
We'll take the 6,000-year period as providing us with enough evidence for our purpose. And that takes us back into the Middle East, India, and Egypt, which together comprise something of a cradle for man's earliest known historic record-keeping.

What immediately strikes the observer is that there has been no evidence of constantly advancing man during this entire 6,000-year history. The great Mesopotamian epochs, including the Sumerian, the Akkadian, the Babylonian, and the Hebrew, reveal that great city-states rose and fell. They went through periods of increasing economic and social well-being only to have them interrupted by declines. The same is true in India. In Egypt, the breaks between rising and falling cultures are even more sharply revealed.

So there are two primary questions which must be asked. What factors have appeared to make it possible for peoples to improve their economic and social conditions rapidly enough so that we refer to them as "civilizations?" And what factors appeared to

bring them down into semidarkness again, or even into total eclipse?

If we were to diagram what has transpired, the line of economic progress and retrogression would look like this:



*A* would indicate that point in time when the factors emerged which propelled a given people toward an improved condition; *B* would indicate that point in time when economic and social conditions were most favorable; *B* would also indicate that point when a decline began to occur. *C* would indicate the sustaining level which may have been reached following the decline. In some instances, however, a *C* point does not appear, for a given culture might be entirely obliterated.

Knowing what we now know about the nature of man's value mechanism, it is safe to state that the rise between *A* and *B* occurred because men worked to produce what they needed. It is also safe to state that during this period, there must have been a considerable degree of order established, but it would have had to be an order that did not interfere with productivity and free choice.

An examination of many histories reveals that people who are often called "pioneers," and who are those who initiate the rising culture, are frequently referred to as having "stoic virtues." We hear of the stoic character of the early Greeks and Romans. We hear of the stoic character of the early American pioneers. What are the stoic virtues?

The philosophy of stoicism, about which more will be said later, was developed by an early Athenian savant named Zeno (approximately 350-260 B.C.). Zeno placed great emphasis upon the importance and merit of the individual. Sometimes his philosophy is called the philosophy of individualism. It took its name from the

word *stoa*, which means “a porch.” Zeno taught his students on a pillared porch in Athens and he became known as the philosopher of the porch, or the Stoic.

The principal virtues extolled by the stoics are these: willingness to endure pain and hard work without complaint; willingness to live a simple life, which is to say that the stoic is a person willing to produce more than he consumes; willingness to assume responsibilities.

In every instance where a general rise in the standard of living occurs, we see numbers of persons placing great emphasis upon their personal integrity, upon hard work and thrift, and upon personal responsibility. Relating this to the human value mechanism, we detect that when persons have little or no economic advantages, they are willing to endure a great deal to get them. That is, they value improved conditions *more* than they value their own personal indolence. Also, since they tend to value independence and individuality, they shift away from major dependence upon the tribe or the social amalgam and assume separate and unique responsibility.

We might even suggest that the emergence of the stoic virtues, which obviously appeared before people ever heard of Zeno, results in a basic change in opinions and attitudes. People adopting these virtues become self-oriented instead of group-oriented. They depend on themselves rather than on the larger family, clan, or tribal unit. As a corollary, during stoic periods, increases in production lead to increases in private ownership of wealth.

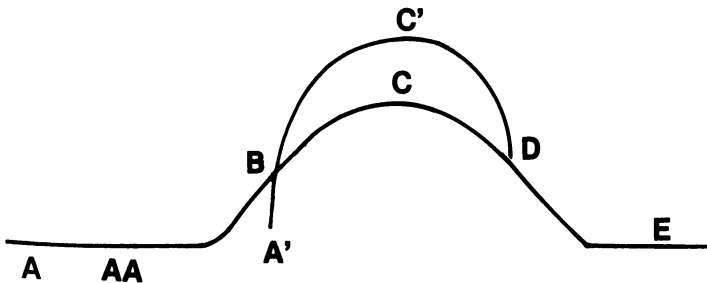
And now we can see exactly what historian Will Durant meant when he observed, “Civilizations begin Stoic; they end Epicurean.” For with increasing affluence and ease in the culture, it is clear that values shift. When people in a given culture begin to find a sense of ease and comfort; when they obtain a reliable food supply and improved conditions generally, it becomes easy for them to reevaluate both their production and the effort that has to be made. A trend seems to appear toward consuming at a higher level than production can occur. People with plenty are frequently unwilling to work as hard as people who have little.

There are, of course, other factors that should be considered. But the shift in philosophy is certainly a major influence.

With this burst of the stoic virtues, not only do we find increased production, but likewise, increased amounts of property in private hands. Possession of property, usually on a collective level of some sort, is supplanted by concepts of morality, private ownership of property, and the idea of the merit of the individual.

Along with this is still another development of importance. Rising standards of living are not only based upon the sanctity of boundary and the control of property in appreciable amounts; they are also dependent upon a continuity of control from one generation to the next.

Early peoples frequently buried their wealth with their dead. Or they destroyed the wealth by fire or by dropping it into lakes or oceans. However, when inheritance became a common practice, the wealth accumulated in one generation could be specifically passed to a younger generation. Then it became possible for a consistently rising curve to appear. It is apparent that if a very productive man amasses great wealth in his lifetime, but this wealth is dissipated at his death, then his son or others following him must begin at the bottom, as he did. However, if the wealth accumulation can remain intact, and thus be passed from one generation to the next, it follows that a continuity of production can ensue. This is enormously advantageous and a necessary attribute of a rising standard of living that will continue for an appreciable period of time. But if we examine this cyclic approach to history, there is another point that should be made. To assist in illustrating it, examine the drawing below.



The line originally drawn is now designated as the line *A, AA, B, C, D, E*. The shorter line that has been added is the line *A', B, C', D, E*.

*D.* This second line relates to the formation, growth, and decline of the state.

Let's look at it this way. A given people, living in a specific location following the agrarian revolution found themselves subsisting without notable advances. They were group-oriented and dependent on the tribal whole (society), and little existed in the way of private property. Properties were possessed or owned by the tribe. This condition continued from *A* to *AA*.

At point *AA*, a change in philosophy brought an emergence of the stoic virtues. For some reason, which remains unknown, a sizable number of these people decided to work harder, to endure discomforts, to produce more than they consumed, and to depend on themselves rather than the group.

In the period from *A* to *AA*, they were probably dominated by tribal taboo and tribal ritual. But at *AA*, and the beginning of the desire to own property privately, conditions began to improve. And as they improved, the first surpluses developed.

Here is a major point that must be emphasized. Many historians have stated in so many words that the existence of a productive economy is dependent upon the existence of a government. They argue that unless the producer or the merchant can be reasonably certain that he will not be victimized by thieves, he will neither produce nor trade. Therefore, government is the prime requisite of a viable economy.

The evidence of history, if we include archeology and anthropological information, together with reason and logic, reveals that this cannot be true. All governments exist on surplus which can be taxed from those who produce. If a tribe does not produce a surplus, it cannot afford a king or patriarch who produces nothing.

Thus, there were always long periods of time when men banded together in hunting and foraging groups, adopted some type of primitive religion filled with nature worship, totems, fetishes, and witchcraft, but did not advance beyond that stage.

Given the stoic virtues, increased production and increasing amounts of private property followed. The stoic period begins at *AA* and runs to *B*.

But as surpluses occur, there comes a time when marauders ap-

pear. There seems to be no meaningful variation in the pattern. Governments are formed as a result of, or in the commission of, some act of predation; an act of spoliation aimed at the skillful and surplus-producing stoics.

In short, once surpluses appear, there is the opportunity of providing for a nonworking elite which can serve as politicians, kings, or military personnel. This idle class begins its sway by preying upon a neighbor and then forming a permanent military force to defend itself from some anticipated counter-attack; or an idle elite plunders its own peers; or those who produce are victimized by their neighbors and organize a governmental military force in retaliation. This is *A*'.

Thus, the evidence now shows clearly that a sound economy capable of producing surpluses must precede a government. Mere tribal leadership, whether it is economic or shamanistic, is not significant. What is significant is that it is not governmental in character until the forming of a nonworking elite. When the tribe becomes prosperous enough to be able to sustain a nonworking elite, then a government can be formed. The laws of economic necessity precede politics, which is a luxury made possible by idle time.

So the stoic period is invariably the period in which a government is formed. Once formed, the government expands rapidly, and there again seems to be no variation here; the government expands more rapidly than the still-rising economic curve. At point *B*, the two lines cross.

Significantly, it is at this point that the Epicurean philosophy emerges, whatever it may be called at the time. Many of the hard-working pioneers now feel that they have worked hard enough and ought to enjoy life a little more. Based on capital accumulation the economy continues to improve, but the government now takes ascendancy over the economy. One way of saying this is to point out that governments usually begin solvent, with very minor expenses. But as philosophies change and more and more people turn to the government to solve various problems, from defense to roads to trade regulations to irrigation and so on, governmental expenses enlarge and they customarily enlarge more rapidly than even the ex-

panding economic forces can justify. Then governments go into debt. Public expenditures now take precedence over private expenditures. Both curves continue upward until they reach their respective apogees at *C* and *C'*.

As both governmental growth and economic growth tend to taper off, it can be anticipated that the government will become an organization of aggressive warfare.

In earlier times, when this point was reached, the kings and chieftains were perhaps more candid than our own politicians. They would call in the most intelligent of the nonworking elite and suggest, "We're broke. We are going to have to go out and grub for a living unless we can find a way of prolonging ourselves in idleness. But I understand that Old King Nabob, across the river, is rich. Why don't we call out the troops and go over there and steal whatever it is he has?" This would be followed by mobilization and an all-out effort to reinforce the local tax collections by foreign aggression.

Today we are less candid, but the results are frequently the same. As a domestic economy shows signs of splitting open like an overripe melon, the threat of possible disaster from an extranational source always appears a handy way to distract attention from local problems. It can be claimed, with great fervor, that the local problems are the result of well-laid conspiracies originating in the minds of foreign despots. It becomes a matter of deep patriotism for us to "cross the river" and solve problems by military might.

In any case, once the twin points of *C* and *C'* are reached, and expenses of the government increase, the weight of the massive state begins to depress the productivity of the economy. Also, as a contributing factor, productive persons who are still doing their utmost to regain their economic glories of past years begin to detect the direction in which things are moving. Many of them now begin making foreign investments and transferring large amounts of wealth to places beyond the national boundaries of the particular government under which they labor and pay taxes. This, quite naturally, reduces the economic potential of the country they are in.



The two factors of declining economic vigor and predatory and aggressive government now bring in the period of decline. It extends to point *D*, and sometimes beyond. Indeed, the descent of the decline can be steep enough and rapid enough so that the entire culture moves into total eclipse. However, usually the government goes bankrupt or is overrun by foreigners and in the end a new economic level appears, far lower than the apex of the prior climb but often somewhat higher than the subsistence level in the pre-stoic days between *A* and *AA*.

If you will study these two curves and think about the histories with which you are familiar in various parts of the world, you will see how certainly this cyclical view of events matches the evidence.

Usually, students ask where the United States is in respect to these two curves. We really don't know. We believe that this country has gone through the first steps and is somewhere in the upper reaches of the two curves. But whether we are on the sunny side of the apex, right at the apex, or over the hump, is something we cannot know until time provides a perspective. We won't know when we have reached the apogee until we start the descent. And we probably won't know when the descent has begun until certain factors make themselves incontrovertibly clear.

In the various histories that have been examined in an effort to provide these two curves as illustrations, one very significant fact stands out. The factors that are to bring the decline begin to manifest while conditions are still very favorable. Economic accumulations build a momentum that will continue long after the factors begin to become unfavorable.

Another very interesting bit of evidence is that there seems to be no particular length of time for the period from *AA* to *A'*. In some instances, governments are formed almost with the first surplus. In other instances, a number of generations apparently come and go with surpluses increasing right along, before the people begin to organize or rely on a state.

What appears to be the case is that both freedom and organized effort are necessary to man's well-being. If man is not free, he depends on the group (the state), or some specific kind of external authority. If man is free, he begins to depend on himself. Also, he

begins to organize. But he seems willing to organize both economic arrangements and coercive, nonworking elite arrangements. Once a relatively small elite gains power over the economy, the result can be predicted. When point *B* is passed, it appears thus far, the rest of the story is predictable.

There is one possibility which could produce something of a variation. If enough people were educated as to the nature of their value mechanisms, they might be able to exert sufficient self-discipline to prevent or forestall the decline. We don't know this, of course, for all of history thus far indicates that cycles have a way of running through all the phases shown. But this remains as a possibility. It is something to think about.

## Chapter 22

# Babylon to Steam

History is one of the most fascinating subjects. It has been called the queen of disciplines because it is supposed to contain the human record. All of the important human events are, in theory, inscribed on the human record we call history. The unfortunate fact is that the books we can read which are called history have profound departures from what ought to have been recorded.

Written histories are largely confined to the human *political* and *military* record. Other events of far deeper significance are either mentioned in passing as we follow the major thread of politics, or they are omitted altogether.

Lord John Acton, viewed by many as one of the most profound students of history the world has ever known, once decided that his task in life would be to provide a comprehensive study of the human record as it related to human liberty. One of his biographers says that he read more history than any other man who ever lived. But he never wrote the book. Lord Acton's study of human liberty has been called the "greatest book of history that was never written." It is from Lord Acton that we get the oft-quoted phrase, "All power tends to corrupt; absolute power corrupts absolutely." And possibly that is what all of us would have to conclude if we were as well informed in this field as Lord Acton became.

It is not that political or military events are unimportant. On the contrary. What kings, princes, dictators, and presidents have done goes a long way toward explaining much of what has transpired.

But underlying all these events, most of mankind has had to struggle with the natural problems of making a living, of devising new tools, of trying to improve human well-being.

We know the names of the men who headed armies. And often we even know the number of casualties left on a field of battle. But we do not know who invented the wheel, the lever, the hammer, or the screw. We do not know who first discovered the principles of irrigation and of mathematics and the compass. We do know a number of men whose inventions have furthered our ability to deal with the world in a realistic manner. Their names are well known to us from the days of Galileo to Newton to Edison, to the host of men who toil in laboratories at the present time. We know the names of some of the giants of finance and of business methods. But center stage is still occupied by the politician, whose principal claim to fame is often no more than his ability to win popular support and to conduct a war that may destroy much of what mankind has produced.

Among many dedicated scholars of history a few have noted that most histories tend toward a national bias. This is particularly discernible in time of war, when the victor has the power to dictate not only terms to the vanquished, but the version of the events leading to a particular armed engagement as it will appear in history books. Nor has this result been unpredictable. For many years the only persons interested in preserving a record were those interested in winning and maintaining popularity for a particular ruling house. Businessmen and industrialists as a rule don't have time for history. They are too busy working at making a living and increasing the well-being of their customers to concern themselves with the immortality of propaganda. Whatever information they do put out is calculated to get a buyer *now*, rather than a vote in a future election.

Thus, history has usually been written from the viewpoint of the throne room. And there have been few historians who were objective enough to eschew praise of their own government, when in fact the power of life and death resided in the hands of the men of whom they wrote. It is a byword among serious students of the subject that if you wish to understand American history, read the

wartime histories of those who opposed America. If you wish to understand British history, read the American, French, Dutch, German, or Indian records.

As we attempted to show in the preceding chapters, economies are basic and are established out of man's desire for survival. Then in due course governments are formed when surpluses develop. In time governments, having attained sufficient power, gobble up the surplus and then continue expanding to their own destruction. Governments are their own worst enemies. They run counter to economic truths and to individual well-being.

If you will make use of the curves used to illustrate this point in Chapter 21, you will be able to read almost any history, even a political history, and see just how that curve should be applied. Geoffrey Bibby, an archeologist, spent considerable time examining some of the artifacts uncovered in various excavations in the Middle East. In *Four Thousand Years Ago*, Bibby takes note of the fact that production apparently increased in a very interesting manner.

What can only be described as a capitalist revolution is taking place. Probably not simultaneously, of course, in all the twenty or so city-states, but approximately at this time in them all. We suddenly find in the temple archives records of independent groups of merchants paying taxes on their imports and even financing private ventures by loans from the temple. And we find that large and small estates are being bought and sold in the open market. The temples continue, and their premises are enlarged; the revolution is apparently bloodless. Nevertheless, the whole economic structure is changing to one based on private initiative and ownership of property .

Take, for example, the history of ancient Babylon. We don't have much in the way of written evidence preceding the formation of the government of Babylon. We know, of course, that men came into the fertile land between the rivers (Mesopotamia) at a very early time. There they labored, undoubtedly in cooperative tribal life, until ideas of private capitalism resulted in surpluses. Then a

great chief arose to institute his forceful sway over all. Taxes and restraints were employed by means of which the chief or king could regulate the economy to his own advantage and maintain a sizable group of warriors.

When the local economy sagged and people rebelled and refused to produce, love of the land and home could be invoked to awaken patriotic fervor and to result in a war of aggression against a neighboring tribal unit. The successful chieftain could make it appear to the people he ruled that their problems actually stemmed from a rival political lord, whether they did or not. Then, in a burst of military enthusiasm, the rival could be reduced in battle and great plunder, booty, and slaves could be acquired.

The ancient city of Babylon was unquestionably founded in this fashion. Initially a trading and manufacturing center grown prosperous, it finally came under political dominance, and a series of kings who inherited their “divine” power from their predecessors took over.

Hammurabi (approximately 1955-1913 B.C.) is considered one of the great early Babylonian kings. He was apparently responsible for drafting a code of law which was one of the earliest in time. His laws, he stated, were handed to him by the great god Shamash. This helped him to convince everyone that the rule of Hammurabi was a wise and prudent rule, for it was vouchsafed by divine decree. Hammurabi ordered inscribed on a diorite stela a complete listing of all his laws, together with a statement respecting the divine origin of these laws. At the top of the stela a picture appears showing Hammurabi receiving the laws from Shamash.

A review of the preamble to this Babylonian code is instructive:

When the lofty Anu and Bel, Lord of the Heaven and Earth,  
He who determines the destiny of the land, committed the  
rule of all mankind to Marduk;...when they pronounced the  
lofty name of Babylon;...at that time Anu and Bel called me,  
Hammurabi, the exalted prince, the worshipper of the gods,  
to cause justice to prevail in the land, to destroy the wicked  
and the evil, to prevent the strong from oppressing the  
weak...to enlighten the land to further the welfare of the  
people. (Hammurabi, the governor named by Bel am I who

brought about plenty and abundance); who made everything for Nippur and Durilu...who gave life to the City of Uruk; who supplied water in abundance to its inhabitants...who made the City of Borsippa beautiful;...stored up grain for the mighty Urash;...who helped his people in time of need; who established in security their property in Babylon; the governor of the people, the servant, whose deeds are pleasing to Anunit.

When Anu and Enlil gave me the land of Sumer and Akkad to rule...I dug the canal Hammurabi-nukhush-nishi (meaning Hammurabi the abundance of the people), which bringeth copious water to the land of Sumer and Akkad. Its banks on both sides I turned into cultivated ground. I heaped up piles of grain. I provided unfailing water for the lands...The scattered people I gathered; with pasturage and water I provided them...I pastured them with abundance and settled them in peaceful dwellings....

The righteous laws which Hammurabi the wise king established, and by which he gave the land stable support and pure government....I am the guardian governor...In my bosom I carry the people of Sumer and Akkad...In my wisdom I restrained them, that the strong might not oppress the weak, and that they should give justice to the orphan and the widow....(Hammurabi is indeed a ruler who is like a real father to his people....He has established prosperity for his people for all time, and given pure government to the land.) In the days that are yet to come for all future time, may the king who is in the land observe the words of righteousness which I have written upon my monument.

You'll note that Hammurabi made it clear that he was providing people with a government water supply, food reserves, population regulation, a soil program, a court system, a penal system, and so on. Many of his modest claims are simply echoed by modern politicians, who say much the same thing and often in much the same way.

An examination of the actual code of law reveals that of some 383 laws that were inscribed on the stela, about one-fourth ended in

the death penalty. Included in the laws are wage and price controls and the ancient concept of an eye for an eye and a tooth for a tooth.

Historians are prone to laud Hammurabi as the man who ushered in the great Babylonian epoch. If you examine the record in the light of what you now know concerning economics and the nature of man, you'll be able to detect that Babylon suffered under Hammurabi. Indeed, it is these laws and their enforcement that created a straitjacket for the productive people of Babylon and it comes as no surprise to learn that within three generations after Hammurabi gained power, Babylon collapsed and the mighty city-state, which was the envy of neighboring city-states, was conquered and reduced to ashes.

Much the same story could be told of the second Babylonian epoch which blossomed a thousand years later and then, through a series of despotic kings, the best remembered of whom is the biblical Nebuchadnezzar, it too was finally reduced to ashes and not one stone left upon another.

The story of the rise and fall of Rome provides another case in point. The Etruscans, who inhabited much of the Italian peninsula before the Roman city-state was formed, were apparently a progressive, productive, joyous people. Translations of their writings continue to puzzle historians for there is no history, no law, and no prayer to the gods. The brief inscriptions, of which thousands have been examined, give no clue to the manner in which the Etruscans ordered their social or political structures. There was apparently a head man in most communities. But the interpretations are divided as to whether this man was a free-market contractor, a hunting and foraging chieftain, a priest, or a king. He was apparently not a political leader in the ordinary sense of the term. Some authorities state that a political organization existed, but they can offer no documentation in support. A few state that the Etruscans had no political structure whatever.

Yet the Etruscans built homes which have been exhumed and examined, made fine clothes, and produced magnificent art works. They carried on extensive trade and manufacture, apparently without reliance upon governmental regulation.



When Rome was organized, it probably came into existence as the result of a military exploit in which a particular group of men either robbed its neighbors or possibly stole their women from them. Creating a military force to protect themselves from an anticipated retaliatory blow, they finally perpetuated the military force and the Roman state was born. The Etruscans were absorbed into this state, or possibly the early military rivalries were internecine and constituted a power struggle within the Etruscan ethnic group.

The Roman state was small at the outset and leadership was tribal. However, it expanded into a republic and during the first few centuries of its existence it was largely agrarian, although successful manufacture and trade were introduced.

Charles G. Herbermann, in his *Business Life in Ancient Rome*, described the conditions in early Rome. The city teemed with small shops and places of manufacture. Stores would often have this slogan emblazoned above their doors: "Salve Lucrum" ("hail profit"). Cordelia, the mother of two tribunes (the Gracchi; second century B.C.), became enamored of the Platonic ideals respecting the supremacy of the perfect state. Her sons, in turn, introduced a welfare program with the idea that the state should feed those who were in need.

The political turmoil that ensued found Rome moving more and more toward a dictatorship with Sulla emerging as a figure of major power. From that time forward, internecine war and turbulence were finally surmounted by Julius Caesar, who, after a successful campaign in Gaul, crossed the Rubicon with his troops and seized total power. Reformer assassins, led by Brutus, took Caesar's life as he was planning for Rome some vast new public works which would have resulted in greater taxation. But the reformers did nothing to halt the move toward dependence on larger government. The second Roman triumvirate finally was converted into the dictatorship of Caesar Augustus who, as the Bible informs us, sent out a decree that "all the world should be taxed," a not unambitious taxing program, you'll agree.

Now the Roman government became the center of Roman life. Production and trade were banned from the city, and law took

over. To maintain high living standards, Roman legions advanced the boundaries of what had become a Roman empire. The plunder flowed into Rome and the people there lived on the basis of political patronage and welfare handouts. Morals degenerated and the love of luxury supplanted any ideas of production. The Roman government provided every conceivable "benefit" for the Roman people, including government schools, government roads, government water, government baths, government hospitals, government pensions, zoning and planning, welfare, social security, and regulations governing practically everything.

Under the burden of law and taxation, the Roman productive genius was stultified. It could not struggle above the deadly weight of regulation. The Roman borders could no longer be defended. The extent of the empire, at its greatest under Hadrian, now began to shrink. Enemies made in earlier ages grew strong and aggressive. Finally Rome was overrun and the great empire ceased to exist. Europe was plunged into a dark age and remained there until a renaissance, occurring primarily in Italy, brought a ray of hope and minor glimpses of freedom.

Much the same story could be told of the development of Chinese, Hindu, Greek, French, and German cultures. Arnold Toynbee, in *A Study of History*, says there have been twenty-one major cultures throughout history and all but two of them have suffered final eclipse.

An interesting example of how human progress has been thwarted or postponed by government intrusion into the economy involves the story of the steam engine. Most schoolchildren will tell you that James Watt invented the steam engine after watching his grandmother's teakettle pop its lid in the fireplace. Some will insist that another man, Stephenson, really provided a practical application of the steam engine with the introduction of the walking beam during the Industrial Revolution. Still others will contend that it was Robert Fulton, who applied steam power to a sailing vessel, who was the real pioneer.

In point of fact, the inventor of the steam engine was a man named Hero, of Alexandria (a Graeco-Egyptian city) in 100 B.C. Nor did Hero lack the ingenuity to make a practical application for

the use of steam. Unfortunately, Hero's invention was viewed by his government as a "labor-saving" device. And since it was deemed good for men to labor, a labor-saving device was believed to be evil. Hero's invention was relegated to the level of a novelty or a toy and the great strides that could have been made through the application of steam power failed to appear because government halted experiments and direct application of the idea.

Yet if steamships had been made available in the first century B.C., it is entirely possible that the Dark Ages could have been avoided. Those incredible periods of famine and privation could have been bridged had there been a more efficient way of moving food from the place where it was produced to the tables of the hungry.

Actually, steam was employed to provide the power to pump an organ in a church during the Renaissance. And in 1701, a German rediscovered the principle and used it with a propeller in a ferryboat by means of which he transported people across the Elbe. Rose Wilder Lane tells us in *Discovery of Freedom* that the oarsmen who worked at the trade of rowing arose in anger and appealed to the government of Germany to put a stop to the rascal, supposing that because of the steam emitting from his vessel he was in league with witches and demons. The oarsmen, with the backing of the king, beat up the inventor, who narrowly escaped with his life. Then they burned his boat.

When James Watt rediscovered the principle of steam power during the Industrial Revolution and finally joined forces with a man named Bolton, the government intervened and set up a regulation that no man could buy a steam engine without royal permission. When Robert Fulton experimented with various kinds of steam engines, one of which had been produced by an American inventor named John Fitch, he found that nothing he could locate would do the job that a Bolton and Watt engine would do. He went to England to buy an engine but was refused permission. He finally pulled the necessary political wires so that permission was granted. Fulton actually invented nothing. But he did put the ideas of other men together, and the age of steam was born.

Immediately, Fulton went to work to use the government to

prevent others from having the same advantages he had. He got the necessary restrictions but the American government was so weak and puny at the time that the restrictions were not enforced. Had they been, it is quite likely that the great advances which were made in this country would have been curtailed. As it was, in spite of the law, competing firms began using steam. Its use was soon applied to rail transport and the age of steam was under way in this country. Yet in retrospect, all of this might have happened at a much earlier time in the development of man's economic well-being.

A similar story could be told of the development of flexible glass, which is only now beginning to be produced, although it had been known during the time of the Emperor Tiberius of Rome (first century A.D.).

All through the ages, governments have acted in restraint of trade, ostensibly to further human well-being. The fact is that it is only when governments are unable to intervene in the economy that human well-being really flourishes. What is particularly important to us as Americans, is the manner in which the same general observations can be applied to the American story.

It appears that governments usually are organized to perform some small services. And it is entirely likely that at the outset they provide a sense of direction and purpose which might otherwise be lacking, unless greater knowledge and understanding of the nature of man and the nature of an economy are first grasped. But as success crowns the human effort to produce, value shifts bring about a tendency for people to want to enjoy and spend, more than they want to practice self-discipline and to produce. War is introduced as a final method for enforcing political decisions and, in the end, the economy is wrecked and cultures collapse, leaving behind the marble and granite monuments built at public expense and serving as tombstones for the vanished glory.

## **Chapter 23**

# **The American Story**

The settling and development of the western hemisphere opened a major chapter in human history. According to many history books, America was discovered by Christopher Columbus in 1492. Archeological research reveals that America may have been “discovered” several times prior to 1492. The preponderance of evidence shows that America was originally settled by Mongoloid types who crossed the Bering Sea on the “land bridge” we now call the Aleutians, and moved on, establishing paleolithic or neolithic communities from the frozen reaches of the north clear to Patagonia and Tierra del Fuego.

Included in this migration, which apparently occurred about 40,000 years ago, were the various peoples who settled North, Central and South America. So far as is presently known, there were no humanoids in the western hemisphere earlier than 40,000 years ago.

Development of advanced cultures proceeded more rapidly in the lands surrounding the Mediterranean Sea, in the great valleys of the Tigris and Euphrates Rivers in the Middle East, and in the Indus Valley in northwest India.

When Europeans began using water transport a few ventured toward the west, and many claims have been made as to voyages by Leif Ericson and others, who apparently pushed far enough to set foot on what is now America.

What is instructive is that these early voyages, centuries before the Columbus expedition, escaped historical notice. But Columbus

sailed on a tax-supported expedition paid for by the Spanish taxpayers and thus his epochal explorations are fully covered in history. Historians write from the vantage point of the throne room. Private navigators at an earlier date paid for their own expeditions and thus they lacked a favorable press and escaped historical recognition.

We know, of course, that following the publicity given to Columbus' startling voyage, Spain was not slow in launching additional voyages calculated to open up the new area for settlement, Christianizing, and exploitation in the way of commercial development. It wasn't long after the Spanish found adventure in the New World that French, Portuguese, British, and Dutch explorers were also wandering through the wilderness, meeting and dealing with the aboriginals, and charting out territories for their respective monarchs. In the territory of the United States, although Spanish and French settlements predated the arrival of British settlements, it can be said that the development of this area was largely accomplished by persons who came from the British Isles.

Subsequent development is instructive. In the century following Columbus, little is heard of British development. Britain at the time was under the sway of the Tudors, and its kings and queens were involved in domestic problems of such magnitude that little attention was paid to the New World. With the cessation of Tudor rule and the transfer of power to the Stuarts, Britain entered upon its long period of stupid and incompetent rulers, to the benefit of freedom and the development of private and independent enterprise.

This was illustrated in the New World, where British colonies, once they were founded, tended to flourish. Spanish and French colonies notably grew much more slowly. Control from the throne room required that the settlers in these places do no more than was permitted. In the case of the British settlers, control from home base was so sporadic or so completely lacking that the British settlers had to solve their own problems or perish.

It was certainly not a case of greater resolution and higher character on the part of the British. Many are the instances in

which American colonists pleaded with their monarch for assistance, for money, for aid of one sort or another. But the British monarchs, engaged in other and often more frivolous pursuits, simply ignored the pleas of their subjects. The consequence was the building of a high degree of independence and self-reliance—the emergence, indeed, of the stoic virtues, upon which we have already commented.

Another factor that should be kept in mind is that any number of the colonizing efforts began as communes. Typical of these was the Plymouth colony, which was organized under the famed Mayflower Compact in which the settlers bound themselves to work for the “common good.” The early months of the Plymouth colony added up to a disaster. Few would work hard enough or long enough to bring prosperity, and those who did nothing got as much to eat and as many advantages as those who labored diligently. After more than a year of this type of procedure, Governor Bradford, in a famous diary entry, admitted that the experiment was a failure. At that time he ordered that each settler have a plot of land for his own and that he could have, from that moment, anything he produced for himself. Production immediately increased, and theft diminished and became virtually non-existent whereas before the “common store” had often been looted.

Bradford expressed it this way:

So they began to think how they might obtain a better crop than they had done, that they might not still thus languish in misery. At length...the Governor (with the advice of the chieftest amongst them) gave way that they should set corn every man for his own particular, and in that regard trust to themselves; in all other things to go on in the general way as before. And so assigned to every family a parcel of land, according to proportion of their number....This had very good success, for it made all hands very industrious, so as much more corn was planted than otherwise would have been by any means the Governor or any other could use, and saved him a great deal of trouble, and gave far better content. The women now went willingly into the field, and took their little ones with them to set corn; which before would allege

weakness and inability; whom to have compelled would have been thought great tyranny and oppression.

The experience...may well evince the vanity of that conceit of Plato's and other ancients applauded by some of later times; that the taking away of property and bringing in community into a common wealth would make them happy and flourishing....For this community...was found to breed much confusion and discontent and retard much employment that would have been to their benefit and comfort. For the young men that were most able and fit for labor and service did repine that they should spend their time and strength to work for other men's wives and children without any recompense. The strong...had no more in division of victuals and clothes than he that was weak and not able to do a quarter the other could; this was thought injustice. The aged and graver men to be ranked and equalized in labors and victuals, clothes, etc., with the meaner and younger sort, thought it some indignity and disrespect unto them. And for men's wives to be commanded to do service for other men, as dressing their meat, washing their clothes, etc., they deemed it a kind of slavery, neither could many husbands well brook it....They thought themselves in the like condition, and one as good as another; and so, if it did not cut off those relations that God hath set amongst men, yet it did at least much diminish and take off the mutual respects that should be preserved amongst them.

The net result was that British colonies flourished, although they often lacked central planning. Living was more important than grandiose schemes to be supported by taxation. So ideas of self-reliance, private ownership of property, the sanctity of private property, thrift, and perseverance marked the early British efforts. Bear in mind that these efforts began as early as 1600 and continued without much in the way of local government to interfere with the free choices of the colonists.

The only government the British settlers in America acknowledged was the British government, disdainful and neglectful though it was. It is true, of course, that the Crown did establish



headquarters in each colony and royal representatives of Britain were sent over to represent the Crown and to maintain law and order. But the ability of these representatives to enforce law was meager or entirely lacking. The colonials did pretty much as they pleased. In some towns they set up types of local government, such as town meeting houses, where people could gather to discuss mutual problems and to thrash out differences of opinion.

Curiously, this lack of law enforcement did not breed disorder. On the contrary, it was advantageous for people to operate in an orderly fashion. Crime was almost totally absent. There were, however, instances of drunkenness and "immoral" behavior, which in those days might even consist of kissing one's wife goodbye in public.

In a number of New England towns as well as elsewhere on the eastern seaboard, the Church exercised far greater disciplinary force than even a local government, if one was present. The most severe punishment was often meted out by the selectmen or the elders of a church. Government, as such, was far away and indifferent to the local problems. The result was an economic situation in which a man was able to keep virtually all of what he produced. Or at least he could dispose of it according to his own wisdom in the matter, which might or might not be wisdom when all the factors were known.

For government to exist in fact, it is necessary that three conditions exist. First, there must be someone willing to act as a governor, someone who holds that his decisions may rightfully be inflicted upon others. Second, there must be a populace, complacent and docile and willing to accept and abide by the decisions the governor may make. Third, there must be a point of contact between them so that enforcement procedures can occur. If any one of these three factors is lacking, government in fact does not exist.

While it is probably true that in the larger cities the hand of government was felt to some degree, the entire colonial area was huge. People lived in remote settlements and on isolated farms and ranches. They were a law unto themselves. They thought of themselves as loyal British subjects. But they had no more direct

contact with government than the people of South Borneo presently have with the government of Australia.

Thus, from a technical point of view, it would be correct to state that the British colonists were always under the control and restraint of British law; but from a practical point of view, these early colonists governed themselves. They owned their own property, worked at their own jobs, made as much as they could and kept it, passing it along to their heirs.

This happy condition lasted for a very long time, a point that is often overlooked in conventional recitations covering the field. British settling began approximately in 1600, at the start of the seventeenth century, and continued with the population enlarging and the standards of living rising steadily for at least one hundred and fifty years before much was said about government, except the government of England.

There were, of course, economic recessions. Times were good or bad depending upon trade conditions in Britain and upon local crops and local production. Never do we experience a broad advance with everyone prospering at once.

But living in the colonies became progressively easier and more rewarding. By 1700, life in the major cities of the colonies was as gratifying and comfortable as life in many British or European centers. By 1750, colonial trade had become such a success that Americans were beginning to compete with British merchants for customers. It was at that time that the shipbuilders of New England developed the packet, an excellent merchant marine cargo vessel that was roomier and faster than anything Britain had on the seas. Later, in 1800, this was followed by the famous clipper ships, which were even better than the packet. So superior was the performance of American-built vessels that a number of British traders leased American vessels for their own cargo runs in order to compete with American merchants.

It is important that we give some thought to the legal system that was in vogue in the colonies during the period from 1600 to about 1750. The law which was most often considered as having a bearing upon conditions in the colonies was, of course, British law and the law of the church. Barristers were, at the outset, those few colonists

who had undergone legal schooling in the mother country. But with the passing of time, there appeared on the scene certain colonial lawyers who had had little or no legal training whatever. If a man had a copy of Sir William Blackstone's *Commentaries on British Law*, and knew how to read and write, he might very well serve as a legal consultant or an attorney, drafting legal instruments after the fashion of the great English jurist. The bar was the bar of England; but communication between the colonies and England was difficult enough so that lawyers of local vintage were often involved in framing conveyances, wills, and certifications of various sorts.

This led to wide variation in the documentation that covers the period. Some instruments were drawn on vellum or parchment, others have been found on birch bark or on various types and sizes of paper. It is not infrequent to find legal documents written on the flyleaf of a family's Bible, and often the Bible became not only the paper on which instruments were inscribed, but the filing cabinet in which they were kept. And surely an enormous number of legal instruments were drafted without legal advice of any kind. Any individual of disposing mind was viewed as being entirely competent to set down the terms and conditions of a conveyance, a bill of sale, a lien, a mortgage, or even a deed.

To the legal mind, this haphazard way of conducting affairs is indicative of great confusion. In fact, it is not. The affairs of the colonists prospered, even in the midst of little conformity.

King George III was imbued with vast ambition concerning British affairs. He observed that Britain had been the victim of misrule or no rule at all—a point that can hardly be contested—and he set himself the task of becoming a monarch worthy of the name. George III cut an imposing figure. Handsome, of regal bearing, and not lacking in intelligence, he began grappling with British problems even before he was king. He discovered that both colonial and foreign affairs had been neglected and domestic matters had been managed in such a slipshod manner that the Crown was scarcely as well informed of conditions as the average merchant in Bow Street.

As the Prince viewed it, there were some three thousand new laws that had to be passed. Revenue from the colonies was almost

entirely lacking. American merchants were competing with long-established British houses, to the latter's discomfort; people were becoming independent and stiff-necked; and foreigners were sneering at Britian and showing disrespect.

Indeed, five years before George III was to assume the crown, France and England became involved in the Seven Years War, so at the passing of George II, George III had no apparent recourse but to prosecute the war with vigor to the end that a British victory would ensue. He came to the throne in 1760, and in 1763 the laurel wreath came into his eager grasp.

Now he turned about and, obtaining Canada as a prize of war, endeavored to concentrate his energies upon the American colonies in an effort to straighten out their tangled (as he saw them) affairs: to improve their situation generally, but specifically to get them to pay taxes regularly and obediently to their rightful king and lord.

There were three psychological blunders for which George III must bear the burden of responsibility in his efforts to bring conformity and regulation to his colonies. The first of these occurred during the Seven Years War with France. British fleets, both naval and merchant marine, were comprised of wooden ships. To keep her fleets at full strength, lumber was required in large quantities. But the British Isles were not particularly noted for producing suitable timber for ships of the line. A treaty with the King of Norway provided that Norwegian pine be made available for the British marine operations and this had been done for years. However, during the Seven Years War, the King of France, invariably at a disadvantage militarily insofar as Britain was concerned, scored one victory. The King of Norway suspended fulfillment of the lumber contract, and George was faced with the apparent necessity of broadening the war to include Norway, or making other arrangements for the procurement of timber.

He was advised that ample supplies of suitable timber grew in his American colonies. He had only to purchase these supplies from his own colonies and the lack of lumber from Norway could be overlooked.

Purchase? Had the king sent purchase orders they would undoubtedly have been filled with joy and alacrity. However, the

king, believing himself to already own all the lands as well as all the timber in the New World, resorted to a political order instead of a purchase order. By decree he ordained that no tree could be cut in the colonies on the far side of the Atlantic until royal foresters first went over, inspected the trees, and marked those to be reserved for the British fleets. When would this inspection occur? The colonists were not informed. They were simply placed on notice that further woodcutting would be illegal.

Now, in America, this order was the equivalent of instituting a general work stoppage. Lack of lumber was not a problem in the New World. Forests, indeed, were something of a problem because there were so many of them. If a man wanted to put in a farm his first act was to cut down the trees. If he wished to build a building, trees had to be cut for lumber. If he wanted a road, the route must first be cleared. Particularly in New England, this order was resented. Some good people in the state of Maine held protest meetings in their town halls and made incendiary speeches against an order which seemed to bring a halt to the lumber industry, one of the basic industries in the New England area.

At one such meeting, someone with an artistic flair painted a pine tree on a bit of linen or canvas, and in a scroll above the tree he lettered in: "An Appeal to God." Then the people put that banner on a pole and the first American flag, the pine-tree flag, was born. It became a symbol of defiance to the king, and Maine became known as the pine-tree state. This action in the state of Maine from which so many other acts of resistance and defiance apparently stemmed may have given rise to the slogan: "As Maine goes, so goes the nation."

After this display of courage and independence, the colonists simply ignored the order and went on with their lumber business as usual. But belief in the divinity and even the wisdom of the king visibly waned.

In 1764, Britain imposed a series of tax measures against the colonies in America. The first was called the Sugar Act. It placed duties on the shipment of lumber, various food stuffs, molasses, and rum.

To collect these assessments, red-coated tax collectors were

dispatched to the New World. They made their presence known and their duties obnoxious. The colonists reacted with astonishing resistance. The merchants and traders were those immediately affected by the new law. They, as well as the bulk of the British subjects in the New World, were supporters of the Whig position, which, ever since the time of James I, held to the view that no tax could be imposed upon a British subject unless he had a representative in Parliament. The colonials had no such representatives, nor had they been paying taxes. They viewed this innovation by George III as a curtailment of their liberties, even though they thought of themselves as “loyal British subjects.” They quickly devised ways and means of getting around the law. Tax collectors were avoided and on occasion treated very badly. Some were beaten, and not a few had to take to their heels to avoid some type of bodily harm.

The colonials had been paying a few local taxes in support of the local town-hall type of gatherings they enjoyed. But these collections were so small as to occasion little grief and they were often forgiven or “made up” by wealthier citizens who seemed to enjoy winning a reputation for being mindful of the lot of those less able to pay than they. But a direct payment of a tax to Britain was not to be countenanced, and speeches began to be heard in opposition to the policies of George III.

Also in 1764, a second act appeared which aroused the colonists to fever pitch. It was the Stamp Act, which required that a stamp be affixed to every legal document to attest to its validity. The price of the stamps were so small that the British administration undoubtedly felt that few would object. But, unlike the duties to be assessed against merchants primarily, the Stamp Act affected virtually everyone.

It is probable that George III, in favoring the Stamp Act, was moved by his concern with the haphazard state of legal documentation in America. It was not neat and tidy. By demanding the stamp, it would become necessary for each American to have every document cleared by some member of the admiralty court. The Americans didn’t approve of the admiralty courts on principle. They felt that their court requirements could be met by local juries

and local jurists, and that no necessity involved the austere and cold intervention of "foreigners" who were unacquainted with American mores.

But another factor appeared. A rumor spread through the colonies that the Stamp Act was to become retroactive. This was interpreted to mean that all existing legal documents would in time be declared null and void. A perusal of the Stamp Act itself fails to reveal a justification for this rumor. The Act clearly states that it is to be invoked at a specific date in the future and nothing is said about the legality of the then-existing documentation. Of course, it is quite probable that the colonists would have been asked to have their treasured papers rewritten and stamped at some undisclosed time in the future, but this was not to be.

A man named Sam Adams, who resided in Boston, began to make his opinions known. And everywhere that Sam traveled, the rumor spread as to the *ex post facto* character of the Stamp Act.

The appeal to emotion was dramatic and sudden. The cost of the stamps was secondary to the fact that the Act applied to all, and that it was believed to make them all appear to be something in the nature of fools who had to be mothered and protected against their earlier folly. Further, if all existing documents were to become null and void, that meant that no deed to property could stand in court; no marriage certificate could be viewed as having any legality; no will could be relied upon as an instrument bequeathing property.

The colonists were aroused. Sam organized a group of men, drawing them primarily from the roustabouts and longshoremen who peopled America's port cities. This group became known as the "Sons of Liberty." In city after city, chapters sprang into being. In Boston, the Sons of Liberty hanged George III in effigy and on subsequent occasions hanged in effigy various well-known Tories. A tax official carrying a supply of stamps was attacked, and the stamps were stuck on him to make him "legal." Another tax man was thrown into Boston harbor with the advice that he swim across and crawl out on the "other side."

The turmoil and rioting spread. It engulfed all of the thirteen colonies with the result that leading citizens, including many of the merchants and independently wealthy people, called for a general meeting of protest.

In 1765, what was to be known as the “Stamp Act Congress” convened. It is important to stress the fact that this “congress” was not a legal body and made few pretensions of being legal. The word “congress” meant a “convention.” Leading citizens from every colony attended to make speeches and to petition Parliament for a repeal of the Stamp Act. While they were at it, they protested just about everything else they could think of. They objected to the admiralty courts, to the Sugar Act, and to the Stamp Act. They protested that the admiralty courts had, in some cases, done away with juries. And in framing their memorial to Parliament, they inserted the well-known phrase that was to provide a slogan and a rallying point for colonial resistance to their government: “No taxation without representation!”

In the Virginia House of Burgesses the same year as the Stamp Act Congress, a lean, diminutive figure arose to make a speech. He became one of America’s foremost orators, and most of us remember at least two of the speeches of Patrick Henry.

In this address, Henry made allusion to the lesson history can teach and observed that “Caesar had his Brutus; Charles the First, his Cromwell.” He started to say, “George III had his...” but he was interrupted by the delegates in the assembly who presumed the insertion of the word “colonies” or some other equally incriminating word or phrase. The cry was, “Treason!” “Treason!” Henry recovered and commented that George III could “profit by their example. If this be treason, make the most of it.”

When word of the petition from the Stamp Act Congress reached the attention of the king, he was also intrigued to learn that the colonists were rallying behind Adams and Henry and indirectly threatening his assassination if he continued on his current policies. The king was hot-tempered and fully convinced of the divinity of both his person and his mission in life. Fortunately there were those who offered placating advice, and instead of sending troops to put down an incipient rebellion, the king agreed to follow a course that might lead to reconciliation.

Further, he was advised that the protest of the colonists, “no taxation without representation,” had struck a responsive chord in Britain. Many in Parliament were Whigs and were sympathetic to



the American position, and thus it was doubtful in the present situation that Parliament would provide the necessary funds to pay for an expeditionary force.

It is important, too, that we realize the divergence of interpretation which accompanied that potent slogan. In Britain, the idea grew that the colonists wanted to elect members of Parliament. And this George and the House of Lords were prepared to resist to the bitter end.

In America, in point of fact, the phrase was interpreted to mean that because there was no representation, no taxes could be collected. The colonials felt that no payment of taxes was justified nor could be justified. Nor did they want representation. They merely invoked legal justification for avoiding taxation.

But in Britain, in order to forestall American elections of members of Parliament and prevent an actual showdown by a display of force, reconciliation gained the day. On March 17, 1766, the Stamp Act was repealed. Those who felt that this move would itself bring about a state of prolonged tranquility at first appeared to be confirmed in their judgment. The unrest and agitation in the colonies subsided. For about a year, things appeared to move toward peaceful and amicable relations.

From the repeal of the Stamp Act in 1766 until the passage of the Townshend Acts of 1767, circumstances in the colonies apparently flourished. But when new taxes on glass, painter's lead, paper, and tea imports were imposed, the colonists quickly remembered their success in the Stamp Act protest and voices of dissent were again heard in the land.

In addition to the Townshend Acts, a new method of collecting duties was imposed. The largest bulk of colonial foreign trade was with the mother country. And since George III had had such appalling luck with his tax collections in the New World, he decided that it would be a relatively simple matter to collect the duties at the other end of the shipping lanes, in Britain.

In theory, this appeared sound. But many laws prove to be better and more practical on paper than they do in the real world. To make certain that the duties were fully levied, the law stated that all shipments from American ports must first be taxed in Britain.

Thus, a ship laden with cargo for the New World would first be required to dock at a British “tax” port, there to have its cargo inspected and the tax paid. Likewise, a ship clearing any American port would first have to sail to Britain to pay the tax before proceeding to its port of call.

Undoubtedly the king’s counselors had in mind the taxing of those cargos which cleared Dutch and French ports as well as the British. But the greatest amount of shipping in the New World was not foreign shipping, but intercoastal. And the astonishment of shippers can be imagined when they learned that if a merchant wished to ship a cargo of lumber from Boston to Havana, and receive in return a load of rum or sugar, his vessel must cross the Atlantic four times in order to pay the tax. Atlantic sailings were major undertakings. A coastal run was not. The American skippers as well as the American merchants simply dug in their heels and refused.

Smuggling became the order of the day and a gigantic black market began to flourish. Items to be purchased or sold in Britain were now shipped to or from Holland. Ships plying the lanes between Holland and Britain, if they were under a British or Dutch flag, were not taxed. So Dutch merchants waxed fat as go-betweens, and Americans simply stayed out of British ports unless they were lucklessly blown in during adverse weather.

Thus, there were three major psychological blunders performed by King George in respect to the colonies: his badly-conceived control of trees, his Stamp Act, and finally his method of collecting taxes, which indeed made him a laughingstock.

In Boston, a prominent shipper named John Hancock was a good friend of the militantly-minded Sam Adams. John was one of the first to lease his vessels so they could sail under a foreign flag. He was also one of the first to institute regular smuggling through Holland as a way of life. Thus, in a very real sense, people we think of as American patriots began their rise to fame by becoming lawbreakers, guilty of crimes against the government.

The Townshend Acts not only failed to produce the anticipated revenues for the crown, if anything they served to further the popular deterioration of respect for the king. Once more the king

considered sending over troops to put down what appeared to be a rebellion in the brewing. But once more, sage counsel from his advisors deterred him.

Lord Frederick North was then Britain's prime minister. And North had given considerable thought as to how best to deal with the growing wave of resistance and resentment in the New World. He invariably counseled in favor of due process, but in view of enthusiastic Whig sentiment in Parliament, he doubted very much if the legality of taxation in the colonies could be sustained in a court of law unless parliamentary representation was granted.

As North and the faction favorable to reconciliation viewed it, the correct procedure would be to arrest several leading colonists for failure to pay their taxes. They could then be tried and convicted, and the power of the king to assess and collect revenues in the New World would be legally sustained. With sentiment running high in favor of representation before taxation could be instituted, North saw that the government's chances in court were slim.

Finally a plan was conceived which was as psychologically penetrating as it was adroit. It centered around the commodity of tea. The British East India Company imported a considerable quantity of tea from the Orient. Indeed, for years it had enjoyed a virtual monopoly among British subjects. Tea was costly, but was in wide usage and was an exceedingly lucrative business. Now American smugglers were bringing the tea into the colonies through Holland without paying a tax. The American housewife had the option of paying approximately nine pence for a pound of tea, including the tax, and thus obtaining it legally through the British East India Company, or she could purchase the smuggled item from Hancock and other shippers dealing in the black market, in which case the price came to something close to six pence the pound. There was no doubt concerning the housewife's choice.

But, reasoned North, if the price were reduced temporarily so that the patronage shifted back to the British East India Company, and if in the reduction a small tax were to be included, then the American housewife might find herself faced with the choice of buying smuggled tea for six pence the pound, or she could pay three

pence (two pence for the tea, plus a one-penny tax) for the legal item. In this way the tax would be paid willingly. And that was the key: a willing payment of the tax.

After the tea trade had been recaptured by this method, then the price could be raised. If the colonists at that time attempted to claim that they could not be taxed because they were not represented, selective arrests could follow and the government could prove in court that the Americans were entirely willing to be taxed if it was to their advantage. They really wouldn't have a principle to stand on except the principle of self-interest. Let self-interest shift to the payment of the tax first. Then, as taxes were increased, the government could show that the Americans had no real objection to paying taxes on principle, they merely resisted the payment when the taxes became high or when illegal procedures appeared more thrifty.

To carry out this scheme, the first step was to repeal all other taxes in the New World, except the tax on tea. In 1770 this was accomplished. But now to take the succeeding steps, a vast shipment of tea to the colonies had to occur. And the government learned that the Sons of Liberty, most of whom were longshoremen, would no longer unload a British vessel. To make certain that British tea could be delivered, it would have to be shipped on American vessels and loyal American merchants of Tory persuasion would have to be involved.

This procedure took considerable time to execute and in the process it was unavoidable that Whig merchants became apprised of the entire plan. When Hancock learned of it (apparently some of his vessels were sought for the shipment), he at once consulted with Sam Adams as to the best way to deal with this threat to the black market in tea. For it became obvious that if the British government succeeded in flooding American markets with cheap tea, the trade in this commodity would shift back into the hands of British monopolists, backed by the Crown.

Nor could the simple recourse of having the Sons of Liberty oppose the unloading of vessels suffice. The tea would certainly be unloaded if it arrived on American ships. And the result could be disastrous both insofar as the opposition movement was concerned

and insofar as the American interest in tea was extended. Fortunately, the arrangements were complex enough and the numbers of vessels involved were large enough so that considerable time elapsed prior to the arrival of the tea at American ports. And in this time, Adams was able to spread the word through all the colonies so that his men were on the lookout for this particular shipment.

As it worked out, the colonists met this threat in various ways, depending on the local conditions and the ingenuity of various Whig leaders. In Charlestown, when the tea shipment arrived in 1773, the vessel was put into quarantine and the cargo declared to be contaminated. In Norfolk, Patrick Henry invited the royal governor on a hunting expedition just before the shipment was due. Since the shipment could only be officially received by this one man, Henry kept him out of the area for several months during which time the tea was unloaded and placed in an unmarked warehouse which was then boarded up. That tea stayed in the warehouse for years with the eager assignees unable to discover what had happened to it. At Annapolis, the tea arrived in a British ship and the Sons of Liberty, enraged at this perfidy, set fire to the ship and its cargo, destroying it totally.

The curtain for the main event was rung up at Boston, where, thanks to Sam Adams, propaganda devices and skills were available to capitalize on whatever happened. The Sons of Liberty, thinly disguised as Indians, boarded the three tea ships and tossed the cargo into the bay, thereby enacting the famous Boston Tea Party, and possibly influencing Americans from that day to this to be a nation of coffee drinkers.

When George III and his prime minister learned of the open rebellion against this carefully-laid plan, and when this was coupled with earlier outrages such as the burning of the *Gaspee* and the Boston Massacre, the king would no longer be constrained. Ten thousand troops were mobilized under the command of Generals Gage and Howe, and sent to Boston to blockade the port until all the damage could be paid for, including the losses sustained in other ports. Gage was the royal governor and thus was Howe's superior.

The Bostonians objected, saying they were hardly responsible for what had happened elsewhere. The government insisted that the entire damage had ensued because of agitation and riot begun in Boston and therefore that Boston merchants and citizens could rightfully be compelled to pay for all the damages.

Again the Bostonians objected, saying that they could hardly earn the necessary funds to pay the damages if their port was blockaded. To this the government responded that they would pay the damages first, after which the port would be re-opened. Since there was neither the money for this, nor the will to comply, Boston descended to a state of siege.

General Howe unloaded some five thousand troops, and Gage quartered them in Boston in the homes of the citizens. The other five thousand troops remained aboard ships which were strategically placed so that shipments in or out of Boston were halted. All town meetings were forbidden, a serious blow against the Sons of Liberty who had met regularly up to this time in Faneuil Hall. There they offered incendiary speeches to the ears and strong spirits for the throats of all who would attend.

In reaction against the curtailment of assembly and freedom of speech, Adams now organized (in 1774) the "Committees of Correspondence." This was a fraternity of men who wrote dispatches which were carried by volunteer couriers to other colonies in an effort to excite their sense of wrong and to encourage resistance. The agitation grew and leading citizens began clamoring for another general meeting, such as the Stamp Act Congress, wherein they could formally lay their grievances before the king and Parliament. The Continental Congress convened at Philadelphia in Carpenter's Hall, where citizen committees were organized in an effort to offset the growing "oppression" against the colonists, particularly in the Boston area.

Again it must be emphasized that the Continental Congress was not a legal body and did not pretend to be. There is no doubt, however, that many of the delegates, convinced as they were of the validity of local governing bodies, took the convention to mean just this. Certainly the delegates were of the "establishment" and wielded influence. Committees were appointed which had life long

after the convention adjourned. Among them was the famous Committee of Safety, organized ostensibly to study ways and means of dealing with the increased pressure from the Crown. The Committee of Safety was perhaps one of the worst instances of a misnomer in history. This group of men, setting out to "study" means of offsetting legal impositions from the government, converted the local militia into the Minutemen organization and became the civilian control of that militant and seditious body.

On the heels of the formation of the Minutemen and the organization of the quasi-governmental instrument, the Continental Congress, Patrick Henry, who had served at the first convention of the Continental Congress, made another speech.

Henry had the gift of oratory. Indeed, at the convention he had seen that in point of fact there was at that time no government at all in the American colonies. He had in fact made use of the Lockean phrase, "we are in a state of nature," wherein the concept of natural rights could rise supreme. This had electrified the delegates, who glimpsed with him the fact that the actions of the government in defiance of individual rights had essentially repealed all boundaries and all pretenses of government. He had boldly stated, "I am not a Virginian. I am an American," thereby becoming the first to use that inspiring phrase leading to cohesion of thought and purpose.

Following the convention he prepared a speech with great care and began giving it on every occasion. He apparently offered it to more than forty audiences, yet nothing transpired. Then he found a responsive group at St. John's church in Richmond, Virginia, and it was as though he had dropped a lighted torch into a keg of powder.

This was the famous speech in which he said, "The next breeze from the north may bring to our ears the sound of clashing arms. Why stand we here? What is it the gentlemen want? Is peace so sweet and life so dear as to be purchased at the price of chains and slavery? Forbid it, Almighty God. I know not what course others may take, but as for me, give me liberty or give me death!"

The fat was in the fire insofar as ultimate reconciliation was concerned. King George was not slow in seeing the implications

although his advisors lagged behind his determination.

The year 1775 was at hand and positive steps had to be taken. A communication was sent to Generals Gage and Howe through an intermediary, urging that the firebrands in Massachusetts, from whence virtually all the trouble seemed to stem, be arrested, tried, and hanged (in that order). The firebrands were well known. They were Sam Adams and John Hancock.

To grasp the significance of what was to ensue, an examination of a map of Boston and its environs is helpful (see page 320).

Of course, all that is shown in the map is changed now. Boston, from being a virtual island in the middle of the bay, is now a major metropolis with land fill holding back the ocean and with the Back Bay solid ground. But the terrain was meaningful in 1775 and the events that occurred took place in part because of the geography of the region.

The organization of the Minutemen, under the Committee of Safety, served to mobilize the Whig manpower, drawing its membership from the existing state militia, from various elements of the Sons of Liberty, and from virtually every walk of life. As the enrollment procedures developed, the organization turned out to be something of a precinct type of operation. The theory of the Minutemen was that each member had to be prepared at a minute's notice to take up arms against his own government. Thus, various rendezvous points were designated. They were numerous enough so that each Minuteman, at least in theory, could grab his musket and get to the rendezvous point to which he was assigned within a sixty-second interval at a dead run.

Picture the map of Boston and environs marked out in small districts; at the geographic center of each district, the point of mobilization. Sometimes the center was a crossroads or a corn field. Sometimes it was a church, and often a bar. Certain writers have suggested that the spirit of rebellion was brewed in colonial taverns, nor would this be far from the literal truth. At each rendezvous center there was a captain, frequently self-appointed but always a volunteer, who undertook to command the local enrollees and to train them for military action if this should become necessary.



From the moment the port of Boston was blockaded, the city descended to a virtual state of siege. Tories who resided in the back country trooped into Boston to find comfort and solace under the protection of the British expeditionary forces. Whigs living in Boston fled the city and sought refuge in the back country. Thus Boston became, for a time, a Tory center.

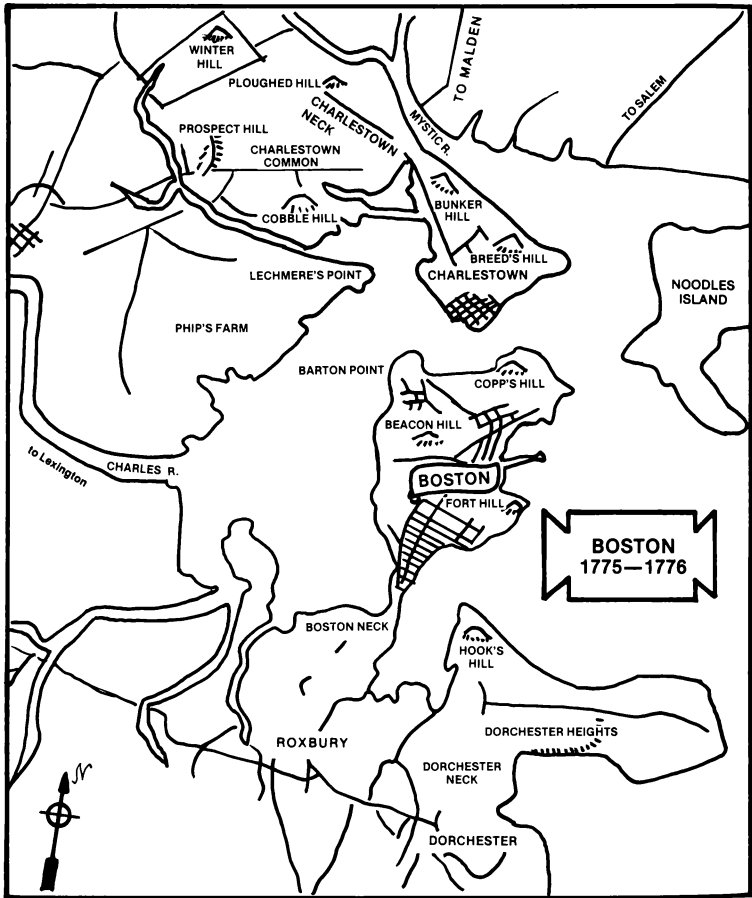
In the year between the blockade's beginning and April, 1775, the Committees of Correspondence whipped up colonial emotion to a frenzy of resistance. In the center of this whirlpool of excitement and anxiety stood the resolute figure of Sam Adams. He was politically adroit, always an opportunist who had a way of twisting facts to suit the long-range view he had adopted.

But now the king had obtained parliamentary backing. Generals Howe and Gage would have to take action. The action recommended the arrest of Hancock and Adams, the two men believed to be the core of the resistance movement.

At their headquarters at the old Province House in Boston, Gage and Howe debated their next move. The king wanted the two men arrested, tried, and hanged in Boston. But was this action the kind that would put down the rebellion, or might it serve to ignite the sputtering fuse of revolution?

Gage, Howe's superior, made the decision. The first task was to arrest the ringleaders. Then, if it seemed safe, the trial and hanging could follow. If not, the miscreants could be loaded with chains and shipped to England for the king's pleasure to take its course. Howe and Lord Percy planned the move.

Where were the ringleaders? Intelligence information indicated the two men were in the town of Concord, preaching sedition and gathering arms for the rebellion. Actually, Hancock and Adams had been in Concord on a recruiting drive for the Minutemen. They had long since kept out of Boston. They had not been collecting arms, as the concept of the Minutemen had it that each man should furnish his own arms, his own powder and shot, and his own uniform if he thought he needed one. But by the time the information respecting the whereabouts of the two men seeped into the British expeditionary force's headquarters, Hancock and Adams had moved on to Lexington. John was engaged to a pretty



girl in that town and she was having a party. The two young men attended. This was in the days before telephone and telegraph, and the fastest dispatches were often days old for they were carried by couriers on horseback or by men on foot.

But there was more to be considered than the mere arrest of the two men. Had arrest been the only requirement, a simple order to a British patrol in Concord could have effected the desired result. It is important to grasp the fact that British patrols had spread out all over the Boston area. There was a 9:00 p.m. curfew. Any traveler could be halted anywhere within a fifty-mile radius of Boston. If he

could not explain why he was traveling at night, and failed to have the necessary approval in writing on his person, his arrest would surely follow.

Gage and Howe also wanted a showdown with the Minutemen. The organization was a threat largely because its effectiveness was unknown. They believed that the colonists would be no match at all for the trained regulars of the British army, who were disciplined and seasoned veterans. Thus, if a showdown could be effectuated, the colonials might get a good drubbing in the bargain and the entire course of revolution halted in one adroit move. They schemed for some way to involve the rebels, to get the Minutemen mobilized and confronted with an overwhelming force that could and would cut them to pieces.

Paul Revere was summoned. Revere had done occasional secretarial tasks for the British (he was an excellent penman) and always professed in their presence to hold Tory sympathies. Information he ferreted out of the British was quickly relayed to the representative of the Minutemen who had his headquarters in a bar at Charlestown just across the Boston Narrows. Then Revere would serve as a courier for the Committee of Correspondence and carry the news to New York or Philadelphia. To keep himself credible with the British, he also relayed information to them which he gathered from the countryside.

Some have claimed that he was a double agent and, indeed, he may have been, although it is doubtful that such a charge could be proved. There were a number of men serving as spies for the colonials, among whose number Paul Revere is listed. There were certainly double agents among them.

Revere was informed that a troop of some four hundred men was to be mobilized to march on the night of April 18 up to Concord for the purpose of arresting Hancock and Adams. Whether or not he was urged to get the Minutemen mobilized in an effort to offset this move remains in doubt. What Revere may or may not have known was that the wily Howe was mobilizing a second force of another four hundred which was to follow at an eight-hour interval under the personal command of Lord Percy himself. It is clear that Howe anticipated trapping the Minutemen between the two bodies of regulars.

In any case, once Revere was armed with the information, he went to the wharf and, selecting a rowboat, propelled himself across the Boston Narrows to Charlestown, where he made his way to the bar where Joseph Warren, the committee member heading the Minutemen in the Boston area, was in charge of the resistance.

There is no doubt as to the course of action Revere urged upon Warren. The Minutemen had to be mobilized in an effort to prevent the arrest of the two men. But Warren was not to be stampeded. He protested that in order to take the decisive step, all three members of the committee had to meet and approve. One member was in Philadelphia, another in New York. A two-week delay would be the minimum requirement.

The troop movement was to occur that night. In vain did Revere and others in the bar implore Warren to call out the Minutemen. Finally, someone suggested an alternative plan. If the Minutemen were not to be summoned, couldn't couriers ride back to Lexington or Concord, wherever Adams and Hancock were, to warn them and to urge them to flee?

Warren readily agreed. Who would ride? Revere volunteered, as did a young man named Prescott, who lived in Concord and who was going up that way anyhow. Additionally, Dr. William Dawes, Jr., a good friend of Warren, asked to accompany the two.

The traditional story has it that the men delayed their departure until the lights appeared in the Old North Church by means of which the route to be taken by the soldiers was made known to them. There appears to be no historic backing for this story. Actually, the route chosen was known to Revere and to the others in advance. The soldiers were to be ferried across the back bay so they could debark on the direct route to Lexington and Concord. They were issued rations for only a day as the round trip should not require more time than that. Had they been required to march out of Boston they would have had to proceed via the neck and then they would have had to skirt the bay. A round trip of this character would have taken a full two days, or longer.

It is also instructive that the three riders did not mount their steeds to go charging off into the night shouting, "The British are coming!" The British were there. They had been patrolling the area

under strict curfew for more than a year. Indeed, the riders had to take advantage of the darkness and move with great secrecy so as not to be discovered.

Now they discussed the whereabouts of Hancock and Adams. No one knew for certain where they were. The Concord destination chosen by the British seemed to be as likely a place to find them as any other town that could have been named. But it was possible that Hancock and Adams were anywhere. They had many friends and they had both moved about in the back country a good deal during the preceding twelve months. The men decided that they would ride from farm house to farm house, from village to village, in an effort to alert everyone to the danger the two men faced. If everyone knew they were subject to arrest, then if they happened to turn up, the warning could be delivered. Hancock and Adams must be saved at all costs.

The riders set out. They leap-frogged from house to house, arousing the sleepy occupants and leaving the warning. Just what was said in each case is a matter of conjecture. We are left with conflicting claims. Tradition says that the people were alarmed by the riders and those who were Minutemen quickly mobilized. Indeed, the story has it that the riders called them to arms. They may have, at that, in spite of the fact that Warren had failed to authorize such a procedure.

What is more likely is that the three men gave personal interpretations of the nature of their errand and that some accepted it as a call to arms and others trooped back to bed. Certainly, not all the Minutemen responded, but many did. They grabbed their muskets, pouches of shot, and powder horns, and were on their way.

Meanwhile, at the head of the bay the riders separated. Dawes turned left and skirted the shore, while Prescott and Revere continued toward Lexington and Concord.

To complete the story we must report that the trip to Concord was interrupted. The two couriers ran into a British patrol on the outskirts of Lexington. They failed to halt, and were pursued and captured at pistol point. Then they were put in chains and taken back to Boston. But they had ridden far enough so that residents in the Lexington district had heard the warning.

Early on the morning of April 19, 1775, the tavern keeper, Buckman, was awakened by a knock at the door. Descending from his sleeping loft by the ladder that still thrusts its way from the taproom through the ceiling, Buckman opened the door. One of the Lexington Minutemen was on hand. Buckman's Tavern was the rendezvous point for the district, and for weeks the men had been gathering there. They had been drilling for some time on Lexington Green, commanded by Captain John Parker, a volunteer.

Now the Minuteman informed Buckman that the British were out to capture Hancock and Adams, and were on their way to Concord for that purpose. Buckman lit a taper. Presently, others of the Lexington volunteers began to arrive. They came in with their muskets, sleepy and yet excited. What was to be done? Had the moment of a clear break with England arrived?

Presently, Captain Parker put in his appearance. He lived in a big house fronting the Green. What was his plan? He didn't know. Rumors were flying thick and fast. Some claimed to have seen Hancock and Adams in town. Others said they must be in Concord. Should they be warned? Several British patrols had been seen going in and out of town. There was a report that the British were on the road and nearing the town.

It was a cold, frosty morning and the mist clung to everything. There was a heavy dew on the lawns, and the damp and chill had worked their way to the marrow of everyone's bones. Buckman offered to stand everyone in the tavern to a drink.

The young excited colonists drew additional excitement and courage from this sociable beverage. Remember, the night was raw and the young hotbloods hadn't eaten since supper. It wasn't long before their courage and excitement soared to new peaks. They were ready to take on anything Howe could send up from Boston. But the actual arrival of troops was uncertain.

Parker suggested that they all go out on the Green for some close-order drill. It was as good a plan as any, and the tavern was soon empty. There had been about forty of them in the stuffy, warm room. Now they were joined by more than thirty others who had not yet gathered at the tavern.

Shortly thereafter the British arrived, four hundred strong,

under the command of Major Pitcairn. The major sat astride his horse, as did his adjutant. All others were on foot, marching quick time to the measure of muffled drums. Their business was in Concord, and the column wheeled to cross the Green. The fog rolled aside and at the far end of the Green, facing the tavern and the Boston road, were some seventy of the Minutemen, stretched across the Green in a ragged line.

Major Pitcairn experienced a sense of shock. He waved, and the sergeant called a halt. "Disperse, ye rebels!" he shouted at them.

The voice of authority always seems to command. A number of Minutemen turned to depart. Now it was Parker's turn.

"Stand your ground," he bellowed. "Don't fire unless fired upon." And then with considerable spirit he faced the threatening British column. "If they mean to have a war, let it begin here!"

A shot rang out. Both sides claim that the other fired first, and the matter remains in some doubt. Following that single rifle ball, a desultory volley was exchanged. The ragged volley from the Minutemen was almost totally ineffective. They seemed to be firing high, from the nature of the wounds inflicted upon the walls and door of the tavern. Not much of consequence was hit. The adjutant's horse was pinked, and a regular suffered a flesh wound. While the Minutemen were reloading, the British trotted into battle ranks. Now their carefully rehearsed volley roared out and some eighteen Minutemen fell to the earth. Eight were killed outright, the others wounded.

That shattering roar of disciplined militia had a sobering effect. The Minutemen who could move departed the field instantly. They found cover behind houses, trees, and rocks, and peppered away at the British column as best they could.

The threat largely dispersed, Major Pitcairn reassembled his column. Without a backward look, the regulars marched on toward Concord.

That was the battle of Lexington. Historians have often overlooked it, some of them concluding that it was merely a skirmish. A much more serious affair was to erupt at Concord in a few hours.

On the eastern edge of the Green stands the famous statue that is

familiar to every schoolboy. It depicts a Minuteman, his musket at the ready. And below it is the couplet from the Longfellow poem which most of us know by heart: "Here the embattled farmers stood and fired the shot heard 'round the world."

In truth, this skirmish, which did less damage to human beings than the wreck of a modern airliner, was one of the decisive events in human history. The poet had glimpsed its significance even though the pages of history have customarily given it slight notice.

Captain John Parker, representing no one but himself and without orders or authorization, had declared war upon His British Majesty. And why? The Americans had no central government. No government in America could have declared war. The spirit of rebellion was crystallized and set into motion by one man who had probably imbibed too freely on an empty stomach.

George Washington was to take note of this event in his diary and to indicate that the spirit of rum which sat upon Parker's lips had apparently influenced him to say what the rebel faction in America wanted said. But there is larger significance here if we care to see it. For the story of the Lexington encounter spread like wildfire throughout the world. Thus, that first shot was "heard" around the world.

The Americans were not customarily engaged in political maneuverings. Revolutions had occurred before, but this one was to roll back the curtain on a new scene containing hope for the world. Customarily when a revolution occurs, the purpose is to overthrow the holder of power and to replace him with a new figure. This was far from the objective at Lexington. All that the Americans desired was to be let alone. They wanted the troops withdrawn. They wanted to escape taxation. They did not want representation, and the king certainly did not plan to see the colonies represented. They were not, at this juncture, planning a new government. They were imbued with the notions of John Locke and Wycliffe and Adams and Patrick Henry. They believed that all men had equal rights and that in this respect, no king had more rights than any other man. The ancient concept of the divine right of kings was being challenged in a bold new way.

So it is quite correct to point out that the Americans were seeking



freedom. “Life, liberty, and property” became their slogan. They were not seeking to replace the king or to find a new one for themselves. Human liberty was their goal. They meant to attain it if they could.



## Chapter 24

# The Declaration of Independence

During the course of the Revolution, many men thought that a statement of purpose for the war was needed in order to engender support for the cause among the colonists as well as the rest of the world. In January, 1776, Tom Paine's classic work *Common Sense* had appeared, receiving almost total readership among the colonists. At this time, it was thought what was needed was a brief inspirational statement on behalf of the revolutionary cause made in a public manner. As a consequence, fifty-six individuals met in Philadelphia in the summer of 1776 to draft such a document.

Any attempt to get fifty-six men to sit down and draft a single document is bound to fail, as these men well knew. Months could have been taken up in endless debate over a collection of random and disassociated statements. Consequently, it was decided that Thomas Jefferson ought to be given the task of drafting a proposed "declaration" which these men could then use to work from. Jefferson did draft such a document and brought it back to the convention, and additions, deletions, etc., were made to this copy. Finally on July 2, 1776, full agreement was reached on the text of the Declaration of Independence. Unfortunately, however, the only copy had words lined out, other words written in, and was unsuitable as both a memorial and a public document. Thus it was decided that the working copy should be taken to an individual

with an artistic hand, who could rewrite it in a more attractive form. This was done and on July 3, 1776, the finished document was returned to the convention for signing.

All the delegates who attended this meeting were not around for the signing. It must be remembered that this convention was, legally, a treasonable act for which any one of them might be put to death. This fear, in addition to the fact that a war was on, caused some of the delegates to pack up and head back home. Consequently, in order to get the signatures of all the delegates on the document itself, it was given to a man who took it around to the colonies for the missing signatures. Some time in September, 1776, the final signature was obtained.

It is important to know the content of the Declaration of Independence—and it would be a good idea to contrast this document with the Constitution. Thus, we are going to suggest that you get a copy of the Declaration of Independence and have it beside you as we analyze its content.

To begin with, the Declaration is composed of three basic parts: (1) a preamble, (2) a philosophic statement of purpose, and (3) a statement of specific grievances against the king of England. The preamble, while setting the tone for the second part of the Declaration, really doesn't state too much. It is the second part upon which we shall focus our attention.

The second part begins: "*We hold these truths to be self-evident....*" Here, the drafters immediately let it be known that this was to be a *philosophic* statement of principles, and that these principles consisted of *self-evident* truths. That is, what was to be stated in this Declaration were truths which are totally independent of the necessity of human cognition. As we stated at the outset of this book, truth *is*, and does not depend upon one's recognizing it as such. These truths are because they are, not because these men have said so, or because the king has so decreed, or because Parliament has legislated to that effect.

The document goes on: "*...that all men are created equal....*" Here again, the drafters of the Declaration are avowing the most basic truth regarding the nature of the rights of man: all men are born with rights equal to other men. As we saw earlier, for the

concept of rights to have any meaning, they must be equally applicable to *all* men. One man cannot have a right that another doesn't have, for that would be to take ourselves out of the arena of *rights* and into the realm of *privileges*.

This concept of "equal rights" has misled many people. Through the years, and with the assistance of numerous socialist writers, many people have come to believe that "equal rights" means that all men must have equal amounts of property, equal amounts of income, equal amounts of education, equal intelligence, etc. It is often stated that if one man has a million dollars and another man has only five hundred dollars, the first man must "share" his wealth with the second. This is not so. The notion of "equal rights" does not presuppose that all men will experience the same conditions in life. What it does mean is this: the man with one million dollars has the same right to his one million dollars that the man with five hundred dollars has to his five hundred dollars. Unfortunately, the socialist mentality totally emasculates the concept of "rights" by supposing that only the impoverished have rights, while the wealthy do not, and thus it is appropriate to take from the wealthy in order to provide more for the less wealthy.

Thus, the drafters of the Declaration clearly saw the issue: all men are created equal, and "*they are endowed by their Creator with certain inalienable rights....*" Again, consistent with prior statements, it is recognized that men have rights by virtue of their very existence, that rights come from "their Creator," and not from any other man or body of men. Neither kings, parliaments, constitutions, majority votes, nor any other human process can confer rights upon men. If other men are the source of your "rights," you are back in the situation where you are really dealing with privileges.

And since no man can confer rights upon you, but rather you are born with them, then it follows that no man can take your rights away. Thus the consistency of that statement regarding "inalienable rights." In point of fact, as we have already seen, the concept of "alienable rights" is a contradiction in terms.

*"...that among these are life, liberty, and the pursuit of hap-*

*piness.*” Here are, perhaps, the most oft-quoted words in the Declaration of Independence. They assert that man has numerous rights, some of which are the right to one’s life, the right to one’s liberty, and the right to pursue one’s happiness. In other words, it is stated that every man has an inalienable right to live his life for the satisfaction of his own values and objectives in life. Men do not live to serve the state, the king, society, or anyone else; each man has a fundamental and inalienable right to live his own life in such a manner as will promote his own happiness.

It might be asked at this point, “What happened to the right to property?” Did the drafters of the Declaration simply not care much for property rights? No, on the contrary. The men who drafted the Declaration of Independence had been very strongly influenced by the writings of the English philosopher John Locke, who laid very heavy emphasis upon property rights. Locke saw clearly that a man’s right to his life and the right to own property privately were one and the same. In fact, Locke declared that the only justification for government was that it should serve to protect men’s lives and property.

Why, then, was the right to property deleted from this document? The reason lies in the slavery question. At this time, a slave was defined *as* property. In the law, a slave was treated in the same way as cattle, horses, and other livestock. And, of course, the law goes on to declare that property cannot own property, and thus, in the law, a slave was considered as a person who could not own property. Were the drafters to say that “all men have a right to property,” this is the same as saying “every man has a right *not* to be a slave,” and this some of the slave-holding colonies would have strongly resented.

Some of the colonies did have a provision in their local constitutions upholding the importance of property, so we know that the general thinking at the time was very favorable to private ownership of property as a basic right. In fact, the Virginia Declaration of Rights includes the statement, “...the enjoyment of life and liberty, with the means of acquiring and possessing property, and pursuing and obtaining happiness and safety.”

The Declaration continues, “*That to secure these rights, govern-*

*ments are instituted among men, deriving their just powers from the consent of the governed....*” First, we might ask the question, what is meant by the use of the word “secure?” “Secure” has two meanings: (1) “to obtain,” as in the statement, “I was able to secure the use of an automobile,” and (2) “to make safe,” as in the sentence, “I made my home secure by locking the door.” If the first meaning is used, then what the framers of the Declaration would appear to be saying is this: “That to obtain these rights, governments are instituted among men.” However, this would be inconsistent with what has already been stated. As we saw, the framers already stated that men “are endowed by their Creator with certain inalienable rights,” and for them now to add that men could only obtain these rights through government would be a total contradiction.

The only meaning that provides consistency is the usage: “That to *make safe* these rights, governments are instituted among men.” This interpretation is, likewise, the only one in harmony with the views of John Locke, from whom the framers took the bulk of their ideas concerning government.

In fact, when we get to the language that tells us that governments derive “their just powers from the consent of the governed,” we are right back to John Locke again. Locke consistently maintained that, inasmuch as government was only an agent for individual men, it had just powers only over those persons who had, in fact, consented to have government protect them. If a man had *not* consented to be governed, then the government not only had no rightful power over him but, on the contrary, itself became an instrument of the coercion and theft which it was the avowed purpose of the government to eliminate. Locke even declared that for the government to rightfully impose a tax, each person to be taxed had to literally consent and approve of the tax. Otherwise, said Locke, the government would be taking a man’s property against his will.

The concept that is popular today regarding the phrase, “consent of the governed,” is totally different from what it was in 1776. Today, if 51 percent of the people favor a particular measure and 49 percent oppose it, we are told that the measure has “the consent

of the governed.” It does not. It has the consent of those who, in fact, favor it, and *only* those.

The worshipful attitude that most people have today for concepts of “majority rule” was quite alien to the colonists of the revolutionary period. These men did not think in terms of majorities ganging up on minorities through a voting process to strip them of their property rights. On the contrary, men at that time were most fearful of a democratic society. Instruction and custom, even among those who rebelled, caused them to revere the king, to think of him as being “divine” in some way. The rebellion was against a specific king, one George III, and not against monarchy.

The infatuation with democratic processes did not grow out of the revolutionary period. Instead, it received its greatest impetus from an event just thirteen years later—the French Revolution. Too often, we are asked to believe that the French Revolution and the American Revolution were similar incidents. This is not true. Correctly viewed, the spirit of the American Revolution was this: Individual men were looked upon as having certain inalienable rights, which came to them from their very existence. Governments were conceived of as simply the agents of individual men, and could only do for these men what each of them could rightfully have done for himself. Men, it was thought, had a right to be free of restrictions placed upon themselves or their property by governments. Men, in other words, had a right to their “independence” from tyranny.

The French Revolution, on the other hand, was successful in *institutionalizing* tyranny. Its motive spirit was not one of individual liberty, but of mob rule. It did not seek to uphold the rights of men to be free of oppression; rather, it was a power play directed at overthrowing one tyrannical structure and replacing it with another, the new one being “the mob.”

The English philosopher and statesman Edmund Burke clearly saw the distinction between the American and French experiences. He sided with the colonials in the case of the American Revolution but vehemently attacked the leaders of the French Revolution for tearing apart the very fiber of society. The American Revolution



was, to Burke, consistent with the growth and development of the concepts of human liberty, while the French Revolution was looked upon by him as totally inconsistent.

Thus it is with the French Revolution that western man became enamored with the concept that the will of the majority is "right." It was not the phrase "give me liberty or give me death" that brought on the worship of democracy; rather, it was the concept given birth at a later date, that "fifty million Frenchmen can't be wrong."

This entire concept of "the consent of the governed" is central to the question of human rights.

Let us imagine three men, *A*, *B*, and *C*. Suppose they get together in a coffee shop one morning and *A* says to *B* and *C*, "You know, I think I've come up with a wonderful idea as to how we can better protect ourselves. Periodically, all of us suffer some financial loss, whether occasioned by sickness, a fire, loss of our job, theft, etc. I think we can help protect ourselves against such losses by the three of us joining together and forming a 'mutual benevolent protective association.' Each of us could pay in, say, \$10 a month. Soon a pretty good-sized reserve would develop which any of us could draw upon in an emergency."

*B* and *C* like *A*'s plan, and decide to go along with it. In fact, they draw up a contract outlining the costs, benefits, and other details, and then each man puts \$10 into the fund as the first installment for their protective association.

Now, let us imagine that *A* is walking down the street and happens to meet another friend of his, *D*. He tells *D* all about the wonderful plan that has just been drawn up, and asks *D* for his \$10. *D* says, "No, thank you, *A*, but I have already made provision for such emergencies. I have a series of insurance policies which give me all the protection I feel that I need. If you and *B* and *C* want to have your own association, that's fine. I wish you good luck. But as for me, I don't think I'd be interested."

At this point, *A* pulls out a gun and, brandishing it at *D*, says, "Perhaps you didn't get the picture, *D*. You see, *B*, *C*, and I have already decided we are going to have this program. That makes three of us in favor of it. Now, I understand that you are opposed,

but there are still more of us wanting the 'protective association' than not wanting it. We win, three votes to one."

Presume a society founded upon the principles we have outlined so far in this book—principles which support the right of an individual to control his own life and property, and which reject coercion. With this presumption let us examine the consequences of the actions of *A*, *B*, and *C*. If we are to recognize the rights of men as being inalienable and equal, then we must ask the question: "How may a group (society) of individual men *rightfully* compel another man to abide by their will?"

Let us use the following chart:

|          | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> |
|----------|----------|----------|----------|----------|
| <b>A</b> | 100      | 0        | 0        | 0        |
| <b>B</b> | 0        | 100      | 0        | 0        |
| <b>C</b> | 0        | 0        | 100      | 0        |
| <b>D</b> | 0        | 0        | 0        | 100      |

What this chart means is this: In a society founded upon the concept of equal and inalienable rights of every man over his person and property, each man's rightful control over what is his is viewed as *total*. Thus we see that, as respects *A*, he has total authority and control over himself—represented by the figure 100—and no authority over *B*, *C*, and *D*—as shown by the figure 0. The same is true for *B*, who exercises total authority and control (100) over himself, and none (0) over *A*, *C*, and *D*. If we were to say that *A* could exercise any rightful authority and control over *B*, this would be the same as saying that *A*'s rights are superior to those of *B* and, as we saw earlier, such a proposition cannot be supported in reason and logic.

Thus, in following this chart we find that *A*, *B*, *C*, and *D* each

has total (100 percent) authority and control respecting himself, and none (0 percent) respecting anyone else.

If we want to find out how much rightful authority the “mutual benevolent protective association” has over *D*, all we need to do is go back to this chart and add up the rightful authority that each member of the association has over *D* (last column). Since *A*’s rightful authority over *D* is “zero,” and *B*’s is “zero,” and *C*’s is also “zero,” it takes no mathematical genius to tell us that the “association’s” rightful authority over *D* is “zero.”

In fact, to uphold the idea that an organization of men—none of whom has, individually, any rightful authority over anyone else—acquires, by virtue of these men joining together, authority that none of the members had, is to engage in pure mysticism. It is to suggest that ten men, for example, none of whom has a penny to his name, can become wealthy by the act of forming an organization.

It can be readily pointed out that the entire concept of equal rights cannot survive if we accept the premise that a body of men can acquire rightful authority over other men. Using the “protective association” example again, it is clear that with respect to themselves, *A*, *B*, and *C* are exercising 100 percent authority over their individual property. They each chose to have a portion of their property used for the association. With *D* however, the case is different. He did *not* choose to have his property taken, and yet it was. As a consequence, he has lost some degree of control over his property that the other men, *A*, *B*, and *C*, did not lose over theirs. Let us assume that *D*’s control of his property has been reduced to 94 percent. *A*, *B*, and *C*, however, have retained 100 percent control of their property *plus* having obtained some degree of control over *D*’s property. Taking the 6 percent control that *D* lost and dividing it among *A*, *B*, and *C*, we find that the percentage of control that *A*, *B*, *C*, and *D* exercise over property looks like this:

*A* — 102%

*B* — 102%

*C* — 102%

*D* — 94%

And yet, each of these men undoubtedly would profess to believe in *rights*. The Declaration of Independence goes on, “*that whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it, and to institute new government, laying its foundation on such principles, and organizing its powers in such form, as to them shall seem most likely to effect their safety and happiness.*”

In this passage, the influence of John Locke is again felt. Resort is had to principles of agency, once more, to establish the proposition that governments are inferior to individual men, and that when such governments no longer serve the purposes for which men established them—in fact, become “destructive” of these ends—then the men who created government, and whose ends it ought to be the purpose of government to serve, may rightfully do away with it.

This concept of the abolition of government, however, poses a serious question. We will see, in our subsequent discussion of the anarchist writers, that one of the major problems regarding the attempt to abolish government is that such an effort necessarily results in a basic contradiction.

If, as we have seen, men have an absolute right to their lives and their property, then it follows that they have a right to control that property in any way they choose. If some men—say *A*, *B*, and *C*,—choose to establish a governmental structure as a means of controlling their own property, they have a right to do this. They do not, as we have seen, have a right to force *D*—or anyone else—into their system.

If, then, *A*, *B*, and *C* desire to have a government controlling their property, there is nothing wrong with this. If, on the other hand, they seek to have the government control *D*’s property, a trespass has occurred. But now what about *D*? What may he *rightfully* do? May he, following the dictates of this phrase from the Declaration of Independence, “alter or abolish” the government? Clearly he may *not*, for to do so would be to commit a trespass upon the rights of *A*, *B*, and *C* to *withdraw—for themselves*. *D* does, however, have every right to *withdraw* from the government, but not to tear it down. Thus, when we discuss the rightful action that one might take in the face of governmental

coercion, it is moral to talk in terms of *withdrawing* from the government, but immoral to *abolish* it by force.

Having had the influence of John Locke, we move to that of Edmund Burke, as the Declaration continues, *"Prudence, indeed, will dictate that governments long established should not be changed for light and transient causes; and accordingly all experience hath shewn, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed."*

The language here is intended to temper the prior sentence. The effect is this: Government is only an agent for men. It is men that are superior, government is inferior. Thus, when the government seeks to do things which are destructive of the ends for which men have established the government, it is their right to get rid of it. However, one should not go "flying off the handle," seeking to abolish the government for every minor mistake. One must have some degree of patience.

While John Locke was an exponent of the "rights of man," Edmund Burke was more attuned to the concept of the "ordered" society. Burke thought that "society," not "man," was the important factor, and went so far as to state that society was a "contract" among men who lived in the past, those who live today, and those who are yet to be born. Burke took the view that no living man had a right to abolish or drastically change existing institutions, for to do so would be to violate this imagined contract with one's ancestors and future generations. Burke, then, became the motivating force for conservatism, a concept concerned *not* with the rights of man per se, but with tradition. To a true Burkean, the concept of rights is a valuable concept only insofar as it is consistent with a traditional view of rights.

These, then, were the two major influences on the men who helped draft the Declaration of Independence. The influence of Locke, however, appears stronger, for the document continues, *"But when a long train of abuses and usurpations, pursuing invariably the same object, evinces a design to reduce them under absolute despotism, it is their right, it is their duty, to throw off such government, and to provide new guards for their future security."* In other words, while one should not become impatient

and seek to abolish the government for every little mistake it makes, one should not become complacent, either.

This ends the “philosophic” portion of the Declaration of Independence. From here, the writers go into a “bill of particulars” or “statement of grievances” that they had against the king of England. It is suggested that this “bill of particulars” be read in order to see the relatively small amount of government interference to which they were objecting.

The document then concludes with these well-known words: *“And for the support of this Declaration, with a firm reliance on the protection of divine Providence, we mutually pledge to each other our lives, our fortunes, and our sacred honor.”* They then proceeded to sign the document.

Thus ends one of the most remarkable documents in human history—remarkable for the basic premises contained within it. When this document is read alongside the historic facts surrounding the Revolutionary War, we see an event without parallel any place in recorded history. Here were men saying to their government, *“We have rights; we are superior to any form of government; man is supreme, government is only the servant.”*

When one considers that the “divine right of kings” concept was still receiving considerable support, and when it is remembered that the history of man is replete with declarations to the effect that “kings are gods” and “the king can do no wrong” and “the state is the owner of all persons and property in its domain,” then it is all the more remarkable to find a nation of men many of whom took exactly the *opposite* view.

The men who helped write the Declaration of Independence were well aware of the importance of human rights. This attitude reflected itself in the manner in which these men signed the Declaration: *not* as “delegates” seeking to bind their “constituents,” not as the spokesmen for “we the people” (as the framers of the Constitution pretended to be), nor as men seeking to set up a power struggle with existing governmental authority for control of the American continent. No, these were simply fifty-six individuals, pretending to represent no one but themselves. It is revealing that these men pledged “to each other *our* lives, *our* fortunes, and *our* sacred honor,” not the lives or properties of

anyone else. They knew they had no rightful authority to speak for anyone *but* themselves.

Here, then, was the essence of the “shot heard ’round the world”: a declaration of man’s supremacy over the coercive institution of government, the advocacy of the proposition that men have rights by virtue of their very existence, and that these rights cannot—under any circumstances—be taken from them. It is a document affirming, in every respect, the inherent and inalienable supremacy of every man over himself as opposed to those who would seek to exploit man through institutions of coercion.





## **Chapter 25**

# **The Civil War**

For our purposes in examining the fundamentals of freedom, a complete review of the American Revolution is not an essential. What is important is to view the entire affair in a perspective consistent with our area of study. The general chronology of events now takes on a significance for it tends to show the development of thinking and motivation on the part of Americans.

First, it is important to keep in mind that the colonists in America were not all of one mind. Their descendants have never been all of one mind, either, nor is it essential for the development or preservation of liberty that everyone agree. What is important is that an articulate minority be firmly resolved in support of liberty, whatever the balance of the population may feel or believe. This was true during the days preceding the revolution and also during much of the seven-year period the actual military struggle encompassed.

In all probability, not more than one-third of the population was of strong Whig persuasion. It is entirely likely that a second third was as ardently devoted to the Tory position. The last one-third didn't really concern itself. It was prepared to move in either direction, should either prove victorious. Let's set down the chronology.

From 1760 until 1775, mounting pressures created by laws, taxes, and regulation, imposed by the legitimate government of the

colonies, served to create large pockets of resentment and resistance. In 1775 at Lexington, the resistance led to armed insurrection. In short, we began to fight. We had no central government. We had no public declaration which set forth any popular or legal consensus. We had no president, no general, no real military force, no services of supply. The few taxes that were collected were for local purposes only. Often, they were not paid.

Lexington and Concord were followed in swift order by the taking of Fort Ticonderoga by the revolutionaries and by the battle of Bunker Hill. The rebels were volunteers, loosely joined into a kind of quasi-legal military force headed by a junta of some of the leading citizens.

The rebellion had no more legitimate standing than any group of rebels ever enjoys. George Washington wanted very much to become the commanding general for the resistance movement. He finally accepted an appointment by the revolutionary convention and then found that there were no funds available to prosecute a war. He put his own fortune into the hopper in order to pay the troops.

The year 1775 passed with additional battles taking place. And as yet, we had no clear idea of what we were trying to accomplish. Tom Paine, a private citizen, was to crystallize American thinking. In January of 1776, he published at his own expense one of the truly remarkable pamphlets of all time. It was called *Common Sense*. In it, Paine set forth the proposition that kings are not divine and that all men have equal rights. He also showed that there was nothing in the nature of man, nor in the situation of the American colonists, that called for their allegiance to their own government. He said that we were, and of right ought to be, a free and independent people.

This pamphlet was an enormous popular success. It is said that it sold three million copies which, if true, is unique in the annals of publishing in a country populated by approximately that number. Washington got a copy, read it, and found himself in agreement. He confided in his diary that at last he knew what he was fighting for. He was so moved that he personally provided each member of the armed services with a copy. Then he learned that most of them

could neither read nor write so he had the troops assembled and *Common Sense* was read to them publicly. It was the first orientation lecture in the American army.

The road was now clear. We were to separate from Britain. We weren't seeking representation in Parliament nor a remission of tax laws. We were to be free of England. Further, we were not seeking to establish a strong central government here. Rather, we were to go our own way as a self-governing people.

The popular appeal in *Common Sense* made such progress that many leading citizens, prominent in the rebellion, began to regret the fact that Paine was its author. Something of this sort should be said publicly and "officially," or at least as officially as an unauthorized convention of rebels could make it. On July 1, 1776, a group of leading men from the various colonies assembled in Philadelphia and prepared the Declaration of Independence.

Once the Declaration had been publicly proclaimed, France came into the fray as our ally. The French king had no particular love for the American colonists or even for the colonial cause. But the rebellion in America gave France a marvelous excuse to get even with the British monarchy.

Then the military struggle settled down to a war of attrition. Washington lost virtually every military engagement, yet he would not quit. On paper, the British were supreme everywhere. Even with the French as our ally we were out-manned, out-gunned, out-supplied, and out-fought. But Washington out-maneuvered the redcoats. He retreated to victory.

When the final battle was fought (Yorktown, October, 1782) and Cornwallis surrendered, the problem at once became one of securing a treaty and a lasting peace. To make a binding treaty, two governments are required. The war had begun at Lexington on the declaration of a private citizen. Now how do you officially stop a war that has been started unofficially? No one knew how, and it took a year. Since France had become a major belligerent, the treaty was drafted in Paris and was essentially a treaty between France and England. It was called the Treaty of Paris. In it, America was recognized as being independent.

That takes us to 1783. We still had no central government.

During the hostilities, one by one, the various colonies had moved internally to organize themselves as independent states. In 1781, they had banded together under the Articles of Confederation. But the articles did not create a government. They merely provided an instrument so that the separate states, now equipped with legislative bodies after the manner of the British parliament, could work together during the war.

The war was over, the treaty signed, and still, no government. This situation pertained until 1785. At that time a movement, originating in Pennsylvania and New York, began to clamor for a central government that would convert the Articles into a kind of centralized umbrella under which the separate states could remain united for an indefinite period.

There was very little popular enthusiasm for this idea. Great fear was expressed that having rid ourselves of oppression, we were now asking for it all over again. But the movement did not subside, and in 1787 the various state legislatures moved to send delegates to Philadelphia to consider the advisability of creating a central government.

Two specifications were made. The 1787 convention was to consider ways and means of strengthening the Articles of Confederation, which were to remain as the cohesive agent between the states. The delegates had no authority to ordain a new government. They were merely to deliberate and then return to their respective state legislatures to report their findings and recommendations, after which the states could act if they chose. It is our melancholy duty to report that the delegates to what developed into the constitutional convention have not yet returned to their legislative bodies so that action could be taken.

Even before the delegates assembled in Philadelphia, the men who were to be known later as "federalists" were plotting as to how to prevent the states from acting on the constitution these men planned. Realizing that the constitution they proposed to draft would completely nullify the supremacy of the states, they recognized that the legislatures would, in all probability, reject the document.

Therefore, they wrote into it (Article VII) the means of obtaining

ratification through bypassing the legislatures. They called for the creation of state conventions which were to be assembled for the single purpose of ratification. And then they began their maneuverings in order to make certain that the conventions were packed with pro-federalists.

Obtaining ratification was a tricky business. And it is instructive that many of the men who had signed the Declaration of Independence were stoutly opposed to the Constitution. Among the enemies of ratification were such noteworthies as Samuel Adams, John Hancock, Thomas Jefferson, Patrick Henry, George Mason, and many more. Henry, by his oratory, very nearly succeeded in defeating ratification in Virginia.

As Forrest McDonald puts it in his book *We, the People*, the seventh article to the Constitution virtually “stacked the deck” in favor of ratification, however innocent-appearing the article may be.

Thinking men perceived when they read the Constitution that it didn’t even contain a reference to the rights of man. In effect, it contravened all of the noble thoughts that had been expressed in the Declaration of Independence. The two documents are out of harmony. Thus, the last two states to ratify did so provisionally with the understanding that the Constitution would be immediately amended to include a Bill of Rights.

Madison is viewed as the author of the Bill of Rights. However, Jefferson labored with him after the latter’s return from France. He had grave misgivings about such a Bill of Rights actually abridging the bold bid for consolidated power found in the Constitution.

In any case, the first ten amendments were approved. They were followed in short order by Amendments 11 and 12, both of which were apparently drafted in much the same spirit. That is, the purpose of the first twelve amendments is to preserve some measure of freedom and to reassert something respecting the rights of man.

By 1804, the political manipulations moved over to take a secondary position in respect to the major interests in America, which were economic. From that time up until 1850, we had an exceptionally fine development in the marketplace. It was, in

general, an era of good feeling and sound production. Not that it passed unmarred. The War of 1812, as well as the Blackhawk War and the war with Mexico, cut across the general tenor of the times. But these wars, destructive though they were, did not involve the entire economy nor all the people. Business and industry continued to flourish in spite of these conflicts.

But by the mid-century mark, pressures were beginning to be felt between the South and the North. A brief examination of the manner of economic development in each of these parts of the country helps to shed light on events that were to unfold.

In the North, manufacturing flourished no less than agricultural development. A network of rail lines was being laid. Good transportation was available. The provision in the Constitution which prohibited tariffs between the states gave us the largest free-trade area in the world. The North had a good labor force, a ready market, and variety in production. It was virtually an autarchic economic system.

The South, meanwhile, was largely agrarian. Vast plantations manned by slave labor were the rule. There were a few major trunk rail lines, but little in the way of a network. Cotton was king in the South, and such vast quantities of this commodity could be produced that the South could not begin to consume its own production. The South was deficient in manufacturing. So it sought to sell its cotton to the Northern mills. However much that could be sold, the North could not begin to absorb Southern production. So the South turned elsewhere for a market and found it readily enough. The looms of Britain, France, and the Low Countries were crying out for cotton, and the South was the major cotton producer in the world. In exchange for the cotton, the South took back goods manufactured abroad. Thus, the South prospered in its way, just as the North prospered in its own.

But now a cry was raised against slavery. And it is instructive that this same cry had first been voiced in America at the meeting in Philadelphia that gave us the Declaration of Independence. The Southern plantation owners were urged to sell their slaves to the government or to free them in any case. The South appeared willing to sell, but not to simply abandon a practice in which an enormous amount of capital had been invested.

In the debates that began to be heard, the question was raised about the admission of new states to the union. Should the new states be permitted to adopt slavery or should slavery be forbidden? The Constitution supported slavery (in Article IV, Section 2), although it inveighed against the importation of new slaves to the country.

In the border wars that broke out in Kansas, Missouri, and Nebraska, the question of the admission of new slave states was decided. Henceforth, if a state were to join the union, slavery must be forbidden.

This is certainly meritorious, for no reasonable man can condone or advocate the practice of slavery. Yet, because the decision was reached politically, an unexpected result shaped up in Congress. Heretofore, the South and the North had been numerically in balance. Border states could and did move either way to decide many a tight issue. But now, with slavery forbidden, every new state to join the union joined it in economic harmony with the North.

The South was politically isolated in Congress. And Northern politicians were quick to see that the enormous power of the federal government could be invoked to work economic advantages for those in the majority.

The South raised the cry of "sectionalism" and opposed these moves with considerable consistency, but in vain; the North had a political steamroller moving in its favor. The Morrill tariff was drafted which would place a high discriminatory levy on all goods imported into the South. In political theory, this would compel the South to purchase Northern manufactured goods. In practice, you cannot compel that which is economically unsound.

When it became clear that Lincoln would support the new tariff, Southern leaders recalled the days of the American Revolution. With vivid recollection they went over the rebellion against the king when he had imposed taxes and economic sanctions. They reviewed in their minds the Declaration of Independence and the statement that when a government becomes destructive of the rights of men, it becomes the right of these same men to alter or abolish their government.

If the American colonists had been justified in breaking with their government and going their free and separate way, then the same principle must pertain to the Southern states. Of right, they could now break off from the central government and go their own way. They would not seek to overthrow the Constitution. Let it remain, as George III had remained. But the South would form a second confederation to arrange for its own affairs in its own way.

Once the election of 1860 had placed Lincoln in power, the Southern states, led by South Carolina, began to secede. Lincoln had sworn to support the Constitution and he interpreted this to mean that all those who had once accepted the document must now be compelled to continue under it. The Civil War was joined.

At the outset, the Southern forces were filled with a zeal and enthusiasm that was entirely unmatched in the North. Many Northern editors called the war "Mr. Lincoln's war" and argued that if the South wanted to secede, it should be permitted to do so. The South was fighting a crusade for economic liberty, and the Southern forces advanced like a mighty wave.

The North had no crusade. It was involved in support of a tariff which was unjust on its face, and its only justification was technical and of small interest to most of the people. Some eighteen months after the fighting began, Lincoln, with his back to the wall, came up with a device that was to give the North a crusade of its own. He recalled the volatile issue of slavery, and issued the Emancipation Proclamation. His purpose was not to free the slaves. His purpose was to free those slaves which were in territory occupied by Southern troops only. His ultimate objective with the Proclamation was in the realm of propaganda. If the South could be branded as a people of heinous and hideous purpose, if the North could fight the war as a crusade for freedom for the Negro, then some enthusiasm for the conflict might be engendered.

It may be that Lincoln confidently expected that when the slaves learned that they had been freed by the federal government, they would serve as the pawns of the North and rise up against their former masters. If this was his intention, he must have been bitterly disappointed. No such popular uprising ensued for, in the main, the slaves had been treated as well as most men treat expensive machinery in which they have a large investment.



But as a propaganda tool, the Proclamation was an enormous success. The slave issue had been relatively quiescent, but now it became the political *causus bellum* for the beleaguered North.

Both sides were now fighting a war for freedom, and the result was one of the bloodiest and most vicious wars ever fought by human beings on the globe. Indeed, until World War II, it marked the high tide of human ferocity against humankind.

Lincoln introduced the first income tax, the first draft law, and was the first to cancel *habeas corpus*. Men were arrested on the street if it was believed they were Southern sympathizers. They were jailed without trial or hearing. When the first draft call went out, a riot in New York City was so destructive that it has never been equaled in this country, not even by such debacles as the excesses in Watts, Newark, and Detroit, in the latter part of this century.

With its superiority in manufacturing, the North was victorious. Lincoln had introduced the concepts of “total war” and “unconditional surrender.”

At Lexington, and in the ensuing years of battle between the American colonies and their government, the concept of the rights of man triumphed. That event signaled the belief that individual human beings could be right and their government could be wrong. The Northern victory in the Civil War turned back the clock. It reaffirmed the concept that the government is always right and anyone who opposes it is wrong.

A second shot was heard around the world. The message of this second explosion was the opposite of the message conveyed in the first. America was tarnished. We were now to be a governed people, not a free people.

Prior to the Northern victory, Americans were accustomed to boast of their great country because the government was small and tractable and they were free. Today, the boast is that we have a marvelous government that does almost everything for us, assumes our own responsibilities, looks after us unceasingly, and is concerned in ways we can't even yet conceive.

But historians are prone to write their views from the position of the throne room. And the side that controls the propaganda has it

within its power to make it appear that every victory is a victory for virtue. It is not always so.

## Chapter 26

# Protection

As we have already seen, governments require the sanction of those they rule in order for such rule to be effective. Without your approval of the process, the government cannot long maintain effective control over you. In order to help secure your approval, the government must be able to demonstrate its ability to provide you with a much-needed service: protection.

From the earliest days, governments have sought to create the impression in the minds of their subjects that there are numerous “evil” spirits or “dangerous” men about who “have it in for you.” Without some sort of protection, men and women would be vulnerable to attack. Into this situation the government can then cast itself as the instrumentality which could “protect” you from these forces. “Give us control over your life and property, and we will see to it that the ‘bad guys’ don’t get you.”

It is unfortunate, but nonetheless true, that men and women have since the most primitive times accepted this argument as a basic truth. They have failed to recognize the fact that governments *victimize* their subjects; they do not *protect* them. When one considers, for example, that federal, state, and local governments in the United States siphon off approximately 40 percent of the wealth produced each year, it should be clear who the parties are from whom protection is needed.

To begin this discussion of the area of protection, let us define some basic concepts which too often become confused with one another: *protection*, *defense*, and *retaliation*.

*Protection* is what we do *prior* to the commission of a criminal act which does, in fact, *prevent* such an act from occurring. It is what we do to keep ourselves from being victimized and is, by definition, *always successful*.

If, for example, we fear that someone might try to break into our home, we might put a security lock on the door. If a burglar comes up to our door, tries to get in, and is foiled by the lock, we have been *protected*. A trespass has not occurred. If, on the other hand, he tries the door, discovers the lock and, instead, kicks the door down and enters the property, we have not been protected. We have tried to protect ourselves, but have failed.

Protection, because of the fact that it prevents a trespass from occurring, is *always moral*. That is, as long as we are employing devices or techniques which serve to discourage trespass by others (and which do not become instruments of trespass in our hands, such as spring-guns, electric fences, etc., which are designed to inflict injury upon a would-be trespasser), no trespass does take place, and hence we are dealing in an area free from immorality.

*Defense*, on the other hand, is what we do *during* an attack by someone else. It is what takes place in what is called the "hot encounter." You are walking down the street and a man comes up to you, sticks a gun in your face, and demands your money. Now you are face to face with an attacker. You cannot *protect* yourself (i.e., prevent the attack); it is too late for that. Now you must defend yourself (i.e., ward off the attack).

As long as your actions are for the sole purpose of *warding off* the attack, you would not be guilty of an immoral act yourself. But if your actions serve the purpose of *attacking* the criminal, you are guilty of a trespass even though the other man initiated the attack. This is one area in which morality and the law happen to agree: the law recognizes these same limits. That is to say, you may "legally" take any action which will serve to simply ward off the criminal attack. If you go too far, however, you can be held liable to the other party for damages.

Let us give an example. Suppose, in the situation outlined above, the other man takes a swing at you. Clearly, you can raise your arm to ward off his blow. This is *defense*. If, however, you then bring

your arm down upon his head and begin attacking him, you are no longer defending yourself, but attacking the other man. This would be immoral, as it is a trespass upon the other person.

*Retaliation* is what is done after a criminal attack has occurred, and has as one of its purposes the inflicting of injury upon the first attacker. Because the purpose of retaliation contains this element, it is *always immoral*.

There is another element which is often used to justify retaliation. This is called *restitution*. Restitution, by the thief, is nearly always desirable and should be encouraged. But it does not require retaliation. There is an abundance of methods available in a free market by means of which restitution can be encouraged without resorting to vengeance and the urge to inflict pain on another. It can be seen, then, that protection and retaliation are mutually exclusive concepts. Protection prevents a trespass from occurring, while retaliation is a secondary trespass in itself.

An example may help clarify the point. If you put a chain-link fence around your house in order to keep out trespassers, and such a fence does discourage trespass, it is an effective instrument of protection. If, on the other hand, you wire that fence with 50,000 volts of electricity and a trespasser gets electrocuted by it, the fence is no longer being used for protection, but for retaliation. You are now employing your property for the purpose of inflicting an injury upon someone else.

The value of protection is this: the criminal, just like anyone else, is acting to achieve *profits*. He is acting in an immoral fashion, but his actions are motivated by a desire to promote gain, nonetheless. Like anyone else, the criminal recognizes the importance of keeping his costs as low as possible. To the criminal, time and the chances of being caught constitute very high costs. Thus, a man who must spend an extra half-hour trying to break into your house will probably get discouraged and go to a less-protected place where his costs will be lower. Protection, then, serves to increase the costs to the criminal.

There is no quarrel with the desire that men have for protection. All of us want our lives and property to be safe. The question, then, is not whether we should have protection but, rather, how best can we achieve the protection we want?

As we have already mentioned, one of the methods men have sought to employ in order to obtain protection has been political government. How does this system function?

To begin with, once a government is established, it must obtain operating revenue. It costs money to hire policemen, purchase patrol cars, and other services needed for protection. To get this necessary money, the government taxes everyone, which is the same as saying that the government itself commits an act of major predation.

When a government is established for the avowed purpose of protecting lives and property from predation, and the first thing that government does is to commit predation upon everybody, it is apparent the system has failed from the outset. In fact, this is the point John Locke made when he declared that a government could not rightfully tax a man without his consent, for the purpose of a government was to protect property, not to take it.

In chapter 6 we discussed the question of the immorality of an act of aggression. Whatever quarrel anyone might or might not have with the proposition that all aggression is immoral, there can be little question as to the immorality of a totally *unprovoked* act of aggression.

Imagine yourself sitting peacefully in your home, and another individual comes to your door. You open it and he hits you over the head with a club. This man is a total stranger to you and you have done absolutely nothing to provoke him. If there is no doubt in your mind as to the immorality of such an act, you can readily see why any system of taxation is equally immoral. You are sitting in your home minding your own business, and a tax collector comes to your door and demands your money, upon threat of punishment.

After committing this first act of major predation, the government has the wherewithal to hire and equip a police force to provide for "protection." What happens then? The system fails to protect, and an individual citizen is robbed by a bandit. Thus, we now have an act of minor predation (minor, in that it affects only a limited number of persons, whereas a major act of predation affects almost everyone).

at all. You cannot fire them if they fail to protect you. There is absolutely no marketplace relationship between you and the government police.

Nor do the government police have the same motivation for success that the private firm has. Whereas the private firm knows that if it doesn't deliver as promised, its services can be dispensed with, the government police know that no matter how much crime there is, the citizen must continue to pay his taxes in order to support the police. In fact, we find that as the crime rate goes up, the salaries of police officers, the size of the force, etc., will also continue to go up, as a response to the increased amount of crime.

Here, then, is the major source of the problem. Taken out of the marketplace, the government police have no marketplace motivation to increase their profits. There is no direct relationship between police success in stopping crime and their reward for doing so.

In point of fact, the police are not engaged in the task of protecting the lives and properties of individuals. They are involved almost totally in seeking out those who have committed crimes and imposing retribution on them.

Because of this inability of the government to provide protection (i.e., the prevention of crime), most people have been led to believe that victimization is inevitable, and that they had better concentrate on methods of catching crooks. This is most unfortunate in that it leads to the spectacle of men and women running about seeking prison reform, better methods of criminal investigation, disputes over capital punishment and the like, while at the same time many of these same people will not even bother to lock their houses or cars or adequately protect their families.

Perhaps the main problem in this area is to see the importance of protection—to get people to concentrate more on locking the criminal *out*, and less on locking him *up* after he has committed a crime.

Successful efforts to reduce the incidence of crime must be based upon better methods of *protection*. That is, we must concern ourselves with trying to *prevent* trespasses instead of worrying about what we will do *after* we have been trespassed.

It is interesting to observe that in spite of the billions of dollars spent annually on police departments, prisons, criminal detection equipment and so on, the amount of money being spent in the free market for protection is likewise increasing. Men who see the necessity for protection realize that the government is not in a position to provide it, and they turn elsewhere. The failure of government to provide protection is clearly witnessed in a galloping crime rate that parallels the increased amount of money being spent by government to curb crime.

The best source of protection is the marketplace. But what forms of protection are available in the market? Let us examine a few.

There has been, over the past few decades, a rapid increase in the number of private protection companies. Whether we are talking of Pinkerton's or the Burns Detective Agency, or whether we are concerning ourselves with the many security patrols or merchants' police groups around the country, such companies are experiencing growth brought on by the increased amount of crime about which government is unable to do anything.

Such companies hire out on a contractual basis and agree to furnish patrolmen, security dogs, alarm systems, and other forms of service, to those persons desirous of their services. The success of these firms in reducing the amount of crime to which their customers were subject is evidenced by their growing financial return. If they were not successful, they would be out of business.

Security dogs are also in great demand. Well-trained dogs can not only locate a trespasser more easily than most humans can, but their mere presence tends to keep would-be burglars off the premises. One of the largest department stores in New York City keeps Doberman pinschers on the roof of its building to be turned loose at night to patrol the floors inside the store. This same store also has its own private police force, one big enough to protect a city the size of Des Moines. Here is a major business located in the heart of New York City—one of the most "policed" cities in the world—which recognizes, from experience, that it must rely upon its own sources of protection.

Along this same line, many individuals have made use of other animals for protective purposes: lions, snakes, jaguars, geese, guinea hens, and many other species, have been used very effectively to ward off would-be wrongdoers. Those who have used such animals usually find that the presence of the creatures alone has a most beneficial effect.



Once victimized by the robber, the individual calls upon the police, who—having failed in the act of protecting—now seek retaliation against the wrongdoer. Arrests are made, witnesses and evidence are rounded up, homes are entered to investigate for the loot, etc. Now, the government commits an act of minor predation (again, minor in that only a few persons are taken in for questioning, etc.).

Let us assume that the police find the man who has committed the robbery. They arrest him, put him in jail, bring him to trial, provide him with an attorney, and then convict him. In the process, costs are incurred for the man's incarceration: court costs, jury expenses, attorney fees, imprisonment in the penitentiary, parole costs, etc. In order to pay these costs, an additional act of major predation is committed by the government, again in the form of taxation.

So what we end up with in our effort to provide protection via government is this:

- (1) Act of major predation by the government.
- (2) Act of minor predation by the bandit.
- (3) Act of minor predation by the government.
- (4) Act of major predation by the government.

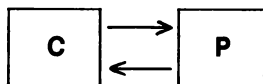
In other words, because of the fact that we do not like predation, we are willing to sanction the government when it commits two acts of major predation (against everybody) and one act of minor predation, in order to deal with one act of minor predation! And, even when this is done, the act of minor predation by the criminal is not prevented. Worse, the more we have given our time and energy in trying to protect ourselves in this fashion, the higher the crime rate has climbed! There have been only temporary variations to this theme and they are extremely rare.

Clearly, since protection is something all of us want and since none of us likes to be victimized, we must concentrate on finding the most effective way to achieve that goal. If the method just outlined is the best method, we had better stay with it; if, on the other hand, a better method exists, we had better give consideration to it.

One of the rapidly-growing businesses in this country has been that of free-market protection service. Many companies exist on both a national and local level offering to protect homes, factories, warehouses, retail stores, banks—every type of asset—from theft, vandalism, and so on. These firms have been very effective in their work, as attested to by the growth of this industry. Why?

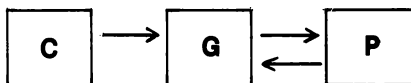
It would be incorrect to assume that men who work for a private protection company are honest, brilliant, industrious, and dedicated men, but that government policemen are stupid, dishonest, and lazy. In most cases, the men who work for private protection firms have been police officers. No, it is not a matter of the men involved, but rather the type of system under which each operates.

The private protection company must operate in a free market and in doing so, it must be successful in its undertakings in order to remain in business. The system works like this:



You, as a customer, want protection. You go to the protection company and hire its services. You now have direct, marketplace control over the firm. If its work satisfies you, it will continue to be employed. If it does not, if it fails to protect your property, you exercise your right as a consumer to fire it.

But what about the government police system? It works a little differently:



You, as a citizen, want protection. You turn to the government and make your demands known. The government accedes to your demands, hires a police force, and the police protect the government. You, as an individual, have no control over the police

Many communities and neighborhood organizations have formed their own private security patrols to protect residential property. A number of news stories have come out of such areas as Harlem, for example, where residents of a particular neighborhood will voluntarily walk or drive around the neighborhood in an effort to reduce crime. Such measures have, apparently, met with a great deal of success.

At the same time, apartment house owners have seen the value of hiring private protection companies to patrol their properties. Usually armed with only a walkie-talkie, these patrolmen help raise the cost to the criminal of committing a criminal act.

Hundreds upon hundreds of mechanical and electronic devices are available on the market to help protect against intruders. These devices include burglar alarm systems, highly sensitive equipment which can pick up even the sound of someone breathing, whistles and sirens which can be carried for personal protection, steel shields which can be installed within a building to cover doors and windows, floodlighting systems, sound systems which will play very loud music when a person steps onto your property, portable electric eyes, light control systems to turn your house lights on and off while you are away, etc. This sampling provides you with some idea of the imagination currently being employed in the marketplace to help protect your life and property.

We could continue listing other methods of private protection, but this is enough to indicate the services presently available in the marketplace. One can only surmise how much more in the way of private protection would be available if people were more willing to recognize that the only protection they can ever have is in the area of what they do for themselves.

There is one important phase of protection from crime we have not yet covered, and that is to break down the major areas of crime and see just what we could anticipate if the government were out of the area of "protecting" us from criminal activities. Would we be better off or worse off? Remember, our purpose here is to seek methods of *improving* human well-being. We can undoubtedly agree that a *reduction* in crime would be beneficial to mankind, and ought to be our objective in the area of protection. Given that assumption, then, is it possible to seek to improve man's lot

through a reduction in crime, or is the present system the best that could be hoped for?

*Crime* can be broken down into two categories: professional crime and amateur crime. Let us first consider professional crime.

The professional criminal is a person who makes crime his livelihood and is interested in only one thing: dollar profits. Into this category would fall such major crime areas as gambling, prostitution, narcotics, smuggling, bootlegging, counterfeiting, and the like. Men who enter such activities do so strictly as a business venture.

In running through this list of "professional crimes," one notes a rather obvious pattern: virtually all such activities are simply a response to government-decreed prohibitions. While most of us would not care to get involved with activities such as those outlined above, it is nonetheless true that few of them actually constitute immoral behavior. One might consider it highly unethical to engage in gambling, prostitution, narcotics traffic, etc., but so long as those persons who desire such activities engage in them on a purely voluntary (non-coercive) basis, it cannot be said that their behavior is immoral.

The government, however, steps into the picture and legislates that such activities shall be illegal, and uses the force of the state to achieve compliance. As a result, the professional criminal now has a market for his activities. Whether we are talking of smuggling, narcotics, or bootlegging, each represents a response by the professional criminal to supply a service which the government has decreed must not be provided.

With a market demand for such services, and a supply restricted by government fiat, the professional criminal is now able to make fantastic profits. It is interesting to point out that London had only a small handful of known drug addicts (less than 300 as of 1966) while New York City had in excess of 16,000. Why? In London, the use of narcotics was not legally prohibited (one could obtain such drugs with a doctor's prescription in any drugstore). As a result, the price of narcotics in London was only a few pennies per "fix." In New York City, on the other hand, the supply is legally restricted and pushers are able to sell their product for anywhere from \$100

to \$200 a fix. Thus, in New York City it is highly profitable for a professional criminal to seek new customers by employing pushers who see to it that other people get hooked. No such profitability exists in London.

We saw precisely the same thing in this country during the Prohibition era. Many persons, concerned with the problems brought on by alcohol, thought that eliminating its supply by law would solve the problem. The result was actually the reverse. The professional criminal moved into the field, bottled or imported his own alcohol, and began peddling it across the face of America. The result? The per capita consumption of alcohol *increased* in the United States and gave birth to the crime syndicates we have today.

We see the same pattern over and over. Restrict the market and people will move in to supply the demand at very high prices. In the process, a professional criminal class grows up—spawned by governmental action—which the government then turns around and uses as a justification for the enlargement of its police powers!

Were it not for this practice by governments, the amount of money spent to “protect” us from crime each year would drop significantly. Not altogether, of course. There would always be persons seeking to make a dishonest living through robbery, hijacking, etc., but the scope of the criminal’s activities would be severely restricted.

It is important to point out, as well, that if the government were not in the business of ostensibly supplying protection, men and women would recognize that the only real protection is what they provide themselves and there would be increased attention given to real protection. People would begin to purchase protective devices, hire private protection agencies and, in general, provide further impetus for innovative and creative minds to figure out even better and less expensive methods of private protection. As a result, the cost of committing a crime would be raised (to the wrongdoer), leading to yet a further reduction in crime.

This brings us to a discussion of amateur crime. This area is made up of persons who commit crimes for one of two reasons: to obtain dollar profits, or to satisfy emotions. In the first category are such crimes as robbery, burglary, forgery, embezzlement,

shoplifting, etc. Into the second category fall such crimes as murder, rape, assault, battery, etc.

Just as more concentration on methods of protection would help reduce the incidence of professional crime, so it would also lead to a decline in amateur crime. Personal responsibility for protection is most clearly seen in the home, on the street, and in other places where it is difficult for organized police to provide protection. If a burglar breaks into your home at night, the police in the precinct station five miles away are not going to be of much help; so, too, if you are accosted on a dark street. You must rely on your sources of protection.

There is another factor which could result in a decline of criminal activity, and that is our prison system. It is well known among knowledgeable criminologists that prisons are great institutions for educating the criminal. Here, young persons who have just gotten a start in crime can make contact with the "hardened professional" who can teach him better ways to crack a safe, disarm a burglar alarm, etc. At the same time, promising young men can make contacts with underworld elements which will lead them farther down the road to a life of crime. If we did not have the institution of prisons, it is more likely that young wrongdoers would not be able to establish themselves in the criminal world.

Finally, as more and more persons come to recognize and support ideas of private ownership of property, and reject coercion and violence as a way of dealing with one another, criminal behavior will subside. As we have already seen in earlier chapters, the only type of control that can result in a diminution of trespass and violence is *self-control*.

If men are raised to believe that trespass is all right for a "just cause," if they are taught that "property rights are not absolute," and if they see governments interfering with the property rights of other men (with the approval of business, professional, civic, religious and labor organizations), then it is not too difficult to understand why criminal behavior is on the increase.

Here, then, is the problem. The increase in both professional and amateur crime cannot be met by such measures as providing more policemen, or simply "supporting your local police." Such

measures have the effect of dealing with the *symptoms*, and not with the *cause* of crime. The cause of crime is to be found in the values men hold, and not in their environment, family backgrounds, or economic situation. Men must choose to act, and each man controls his own energies. The task, therefore, is an educational one.

As for yourself, your rightful concern with the protection of your life and property should direct you toward discovering more effective methods. Your first task involves a re-evaluation of the role of government police. Is our present system the best we can hope for, or are better methods available?

To aid you in evaluating the situation, let us imagine the following example: Let us suppose there are two cities, City A and City B. Each city has a population of 100,000 and essentially the same general economic background. The cities are completely alike in all respects save this: City A has a government police department comparable to any other city of its size in the United States. It has, let us imagine, approximately 125 policemen. The residents of City A are just like people any place else in that they assume their police department is providing them with protection. They leave their cars unattended, go away from home without locking their doors and windows, and make no real effort to assure that their children are safe while out on the streets.

City B, on the other hand, has no government police department. The residents, therefore, are well aware that they are going to have to protect themselves, and do. One man has a burglar alarm in his house; another, a Bengal tiger in his yard; another employs loudspeakers and floodlights to scare off prowlers. In one neighborhood, people have formed their own voluntary patrol service (as is now being done in many cities). There are numerous private protection companies offering the services of patrolmen, detection equipment, security dogs, and the like. Department store owners in this town, like those of the department store in New York City, use dogs to patrol their floors after dark. Individuals walking the streets carry tear gas devices or screeching sirens, or are adept at judo. There may even be a few persons who desire the company of snakes, geese, or lions for protection. Added to this are the many

persons who make use of any number of methods for protecting themselves, and you have a multitude of approaches to private protection.

Imagine that you are a criminal and that you are looking for a community in which to carry out your designs. Which of these cities will you choose, City A or City B? If you answered City A, you are well on your way to an understanding of the role that only private protection can play in safeguarding your life and your property from trespass.



## Chapter 27

# Defense

A subject that is of concern to most people and which ties in with the discussion of protection is that of national defense. In a free society, in other words, what could be done to help protect us from invasion and subjugation by a foreign military force?

Basically, the concepts that were employed in our discussion of protection apply equally here. Whether we are considering protection from an individual bandit or from a host of marauders, the same problems—and solutions—confront us.

It is almost axiomatic in the thinking of most people that political governments *must* exist in order to protect us from foreign invasion. A society of autonomous individuals is simply a “sitting duck” for some foreign power to come in and take over. Only by joining together can we assure ourselves that this will not happen. “In union there is strength.” This, at any rate, is the argument most would offer on behalf of the governmental function of military defense.

This attitude is indicative of the success that political governments have had over the years in justifying their continued existence. Only so long as politicians can convince you that there is some evil lurking in the dark, mysterious world, and this evil force is out to get *you*, but that the government will protect you from this

sinister force, can government obtain your sanction for the action it takes with respect to your life and property.

We know, from anthropological data, that such has been the history of political institutions from the most primitive of times. We know, for example, of the legend of the “Nine Bows”—a mythical body of marauders who go out and ravish innocent persons—and how the local tribal chiefs were successful in propagating this myth in order to gain power over their subjects.

This ancient concept, “in union there is strength,” is sometimes fallacious. In point of fact, the exact opposite can be true: “In union there is weakness.” Weak, frightened men huddle together, and in doing so make themselves vulnerable to attack.

The labor unions have seen the truth in this idea and have used it quite successfully. In California, for example, the unions were desperately trying to organize the agricultural workers. They had had a most difficult time. There were thousands upon thousands of individually-owned farms in California, spread over hundreds of thousands of square miles. The farmers were not “organized”; they were operating independently of one another and on their own.

According to the theory that “in union there is strength,” this should be exactly what the labor unions would want—a great number of independent, unorganized farms. Then all the unions would have to do is to go in and pick these farms off one by one.

Unfortunately for the labor unions, it didn’t work out that way. Their efforts to take over the agricultural industry failed *because* the farmers did not join together for a “common cause.” The unions recognized this and in a directive from the AFL-CIO to the union organizing committee a procedure was outlined whereby, it was hoped, the unions could get at all of the farmers.

This directive observed that “agriculture has no central nervous system, ‘no jugular vein.’” It then went on to point out the strength of the farmers, adding:

Despite this toughness, it is nebulous, vague. This is important to us. Past organizing efforts in other fields could readily identify the adversary and define the problem. In the mines, the plants, the construction jobs,

the service industries, and even in public offices, there was a jugular vein—if it was a fence, a building and doors, a tipple, an office, or even words on pieces of paper—laws. This provided a framework for the organizing effort: you aim at an NLRB election, or a nose-count, or a strike, or a picket line, or an agreement or contract.

The framework helps determine the strategy. The target has a fixed abode and home—a street address. *You know where it is.*

Our target is harder to pinpoint. It is diffused, although it has concentrations and associations. These latter can be ‘dissolved’ faster than you can keep trace of them. There is no framework in a business scattered over 150,000 square miles.

*If there is no framework as such, no rallying point, no heart, we must create that framework. Our presence is already strengthening the growers associations—we are forcing them to organize.* (Emphasis added.)

Labor union officials—men who have taken the view that employer-employee relations is an economic “war”—recognize the importance of getting men to “join together.” Once they do so, the entire group is vulnerable.

The rise to power of the Teamsters’ Union can be attributed to this strategy. The teamsters recognized that there were thousands of individual trucking lines in the United States, and that to try to take them over one by one would be virtually impossible. What they did do, however, was to convince many truckers to join together and appoint a bargaining agent to represent them. These truckers did, and as a consequence the Teamsters’ Union obtained a contract that ended on the same day for every trucking firm. This strategy put the teamsters in the position of being able to call a nationwide strike on one day, and tie up transportation.

Analyze the situation yourself. The question is often asked, “If we didn’t have the government to protect us, what would happen if the Russians (or anyone else) came to take us over?” Well, what

would happen? Imagine yourself to be the commander of a foreign invasionary force. You have just docked in New York City and are about to embark on your task of “taking over” the United States. Where would you begin? Remember, there is no “mayor” or “congress” or “king” or “president” to surrender the entire country to you; there are only 260,000,000 unorganized, autonomous individuals. You will have to start knocking on every individual door, not knowing whether friend or foe lurks behind it.

This is not simply a hypothetical situation. The German army confronted this very situation prior to World War II. As you may know, the country of Switzerland has not been invaded for well over a century. Switzerland is situated right in the center of Europe, where wars have been going on back and forth across boundaries for centuries. Switzerland is a very prosperous nation. Switzerland has no standing army. And yet, in spite of all these factors, Switzerland has not been invaded since 1803. Why?

The German government, in the late 1930s, made a study of the feasibility of invading and occupying Switzerland, and this study convinced them not to attempt it. The casualties would have been far too numerous. The Germans recognized that to try to take over Switzerland they would have to go from house to house and farm to farm. The Swiss have a long-standing tradition of self-protection and make a practice of keeping guns in their houses. Put yourself in the shoes of a German soldier going up to a Swiss farmhouse, not knowing what awaits him behind the door. The Germans abandoned any such plan.

The people of Liechtenstein are in the same situation as the Swiss. Liechtenstein is a very wealthy nation (it has a per capita income even higher than that of the United States). A banking and finance center, Liechtenstein abolished (and literally auctioned off) its army in 1888, and has been able to stay neutral in every war since.

There are stories told about Liechtenstein’s relations with Germany in World War II. One involved a German Panzer division which approached the border of Liechtenstein. The commander of the division was informed of where he was, and was told that Liechtenstein had no army. His reaction? He asked if the

Liechtensteinians would sell the German soldiers some farm produce. They replied that they would. The Germans paid for the food, turned around, and departed.

Another story is told of a small group of about seven young Austrian Nazis who decided they would take over Liechtenstein for "the glory of the Reich." They arrived in Liechtenstein and attempted to make their takeover, only to be thwarted by the townsfolk. The government of Liechtenstein then spent a short time trying to figure out how to convene their criminal court (it had not been convened for over twenty-six years), finally did so, and simply sent the young men back to Austria. Upon their return to their homeland, these men were arrested by the Germans, convicted, and hanged for the offense of "attacking a neutral nation."

The examples of Switzerland and Liechtenstein ought to demonstrate one thing: that peace can best be assured by not making yourself a danger to anyone else. Throughout the world today, the most powerful nations are hated by someone: Russians, Americans, English, Chinese, Germans, French, and others, all incur the wrath of someone else. And yet, who hates the Swiss?

Those countries which have concentrated their energies upon production and trade—instead of political involvements—have remained most free of military conflict. Early America followed the standard set down by George Washington in his famous Farewell Address: "Against the insidious wiles of foreign influence (I conjure you to believe me, fellow citizens) the jealousy of a free people ought to be constantly awake; since history and experience prove that foreign influence is one of the most baneful foes of republican government."

So long as the Americans lived by this standard, they were admired and revered throughout the world, and were free from military involvement. It is interesting to point out that, as a nation, we enjoyed the greatest amount of peace when we minded our *own* business. If a powerful military machine is necessary to assure us of peace, then we might ask ourselves this question: since the United States has the most potent military force ever known in the history of man, why have we become so embroiled in wars?

Within the past seventy years, we have been involved in military conflicts with Germany (twice), Italy, Japan, Mexico, and Spain, not to mention such small countries as North Korea, North Vietnam, Lebanon, Grenada, and the Dominican Republic. If a powerful military force is protecting us, why do most Americans live a precarious life of fear, while such “unprotected” countries as Switzerland and Liechtenstein prosper in peace?

The myth persists that “governments protect you in time of war.” Nothing could be further from the truth. As has been pointed out by various writers, the government does not protect individuals during a war; individuals protect the government. If the government were protecting the people in fact, the last thing it would do would be to force them to go off to a battlefield to be shot at. “War,” said Randolph Bourne, “is the health of the State.” To this end, the state will subject the lives and property of its citizens to serve the ends of the state.

Peace can be attained in the world through the institution of the marketplace. When men are concentrating their energies on the production of goods and services and freely trading with other nations, the frictions that lead to wars will be minimized. The base of virtually every war has been a restriction of trade. In fact, as many economists and military tacticians have pointed out, when goods no longer cross international boundaries, soldiers will.

As we saw in our own American history, the Revolutionary War began as a result of England’s interference with the American economy; the Civil War began as a result of the North’s cutting off the South’s trade with Europe; and down to even more recent times, many historians have pointed out that the Japanese attack on Pearl Harbor was initiated by the U.S. government’s interference with Japanese trade.

Men, as we have already seen, are profit-seekers. They desire the maximum amount of goods and services with the least expenditure of time, energy, and wealth. But, interestingly enough, free trade is always the least expensive method of obtaining these goods and services. It is often imagined that theft and violence are easier ways, but such is not the case. Most military tacticians tell us that it is always cheaper to obtain what you want through trade than

through war. (In fact, it has been demonstrated that it would have been cheaper for the United States to have *purchased* all of Europe than to fight World War II!)

Nations like Switzerland, for example, have been able to get along with other nations in the world because of the Swiss emphasis on trade. The Swiss keep their trade barriers to a minimum and are willing to do business with anyone. As a result, the Swiss have experienced a minimum of violence.

To be protected from foreign invasion is as important as being protected from attack by our own neighbors. Yet, we must be aware of the factors that will minimize the likelihood of attack, and of those which serve to increase it. When we can look about and see that heavily armed nations face continual military involvements, while non-militaristic nations live in peace—serving as a danger to no one—the source of peace ought not to be difficult to discern.





## **Chapter 28**

# **Socialism**

Essentially, socialism is the oldest economic and social system in the world. In our study of the history of man, we found the customs and mores underlying the various cultures were commonly collectivistic at their base.

Philosophically, collectivism is the broad category in which are included all social, economic, or political systems that value the good of “society” above the good of the individual. Socialism is an economic system whose philosophical roots stem from collectivism.

The socialist ethic holds that the highest good is what is good for the group—for the greatest number. The individual must, therefore, be subordinated to the will of the tribe, for if something is viewed as a benefit to, or is desired by, the majority, then they command a superior moral position. A lone dissenter, because of his minority position, is looked upon as immoral when he resists in any way.

All collectivistic philosophy is founded upon the concept of sacrifice. It is considered right to take varying amounts of property from each person and distribute the proceeds generally, so that all may benefit. Cannibalism is actually a sort of dietetic socialism. Here is the ultimate in sacrifice. A human life is taken for the purpose of maximizing the “public welfare.” The practice of cannibalism fades away when the primitive mind discovers a better way to get meat: to raise or hunt animals, not people; to

concentrate on production with mutual cooperation instead of enforced distribution.

Modern-day socialism is a “meatless cannibalism.” Men now concentrate on expropriating property instead of lives.

The antithesis of socialism is individualism. Individualism holds that the good is whatever each person determines for himself, and only himself. It holds that a man’s right to make decisions concerning his own life and property is inviolate.

To compare and differentiate between individualism and socialism, we must measure them on an ethical scale. First, in the area of decision making: under socialism, decisions are made by the group through majority rule or are dictated by heads of state, and compliance is required by all. Under individualism, choices are made by each person and there is no coercion employed. It isn’t necessary to employ force to get a man to do what he has chosen for himself. It is often stated that socialism is a planned system, as opposed to individualism, which is a non-planned system. This is not so. Planning takes place in both instances. The difference is in *who* makes the plans—the individual or the tribe.

Another avenue of comparison is in the political area. In a socialistic order, a system of politics and political action is a *must*. Politics is a method whereby some people gain control and authority over others. Since socialism requires majority decisions, or “the will of the people,” to be carried out, a system for deciding who will do the enforcing is necessary. Without some form of political action, socialism cannot function.

Individualism, on the other hand, can flourish only in an atmosphere that is totally devoid of politics. Control of property belonging to others is anti-individualistic; consequently, political action is not only unnecessary, it is excluded by definition. The degree to which a person is subject to political action is directly proportional to the loss of individual liberty. So, for a system of socialism to exist, there *must* be political action. In a system of individualism, there would be *no* political action.

The two areas in which to compare the two ideologies are, then, economics and politics. Is a person free to make his own selections and is he free to act upon them? To the extent that he cannot, he is under a socialistic regime.

It is important to reemphasize at this point what is meant by prohibition of action. We are referring to the willful interference by one man with another. If *A* wants something that *B* has and *B* does not want to part with it, he is not interfering with *A*'s free choice and action. *B* is merely exercising his right over *his* property. The primary concern is the condition that exists between *A* and *B*. Can they communicate freely? Can they exchange property if they each agree to do so? If they cannot, then they are not living under a system of individualism, but under the force of socialism.

Some have attempted to measure both systems by using a theological yardstick. There are claims that there is no such thing as a Christian communist or a Christian socialist; that if someone is a Christian, he cannot be a communist. Or, if someone is a communist, he cannot be a Christian. This is completely inaccurate. A comparison here is impossible, because one concept is based on theology and the other is based on economics. They are of two different roots. Throughout history we can find instances of Christians who were socialists and individualists who were Christians. A socialist can be a devoutly religious person, an agnostic, or an atheist. The same holds true for an individualist.

A good example of the socialist ethic can be found operating in the military. The military code is based on the group concept, the acceptance of and blind obedience to authority. The first thing a recruit is taught upon entering service is to accept orders unquestioningly. He is taught to sacrifice himself when necessary, for the safety of his squad. The squad is taught to sacrifice for the sake of the platoon. The platoon is taught to sacrifice for the sake of the company. And so on. Always, the larger group is viewed as the most deserving of survival. The socialist ideal in the military would be the kamikaze—the Japanese suicide pilot—a person willing to seek the glory of the group in exchange for his life.

In seeking a better understanding, it is important to differentiate between voluntary sharing and compulsory sharing. Many look upon socialism as merely a way of distributing property to everyone in equal amounts. Idealistically, this may be the goal, but in practice, we find that some receive more "equality" than others.

The important point to grasp is, whose property is to be

distributed? If the property is already owned, who will decide how much is to be taken for distribution? If the owner decides, then the transaction is voluntary. But for it to be voluntary, he (the owner) must have the right to refuse to give up his property. If the right of refusal is not recognized, i.e., if he is required to give up his property by legal statute or refusal is punishable by legal means, then the “sharing” is compulsory. There are many ways in which compulsory sharing occurs. Property is taken from the many and given to the few; property is taken from the few and distributed to the many; or property is taken from one individual and given to another. But in all cases the property is taken *without the consent* of the owner and it is, therefore, an act of compulsion.

It is this act of misappropriating property that characterizes state socialism and identifies it as distinct from voluntary sharing.

All effective social systems must be commonly accepted or they cannot function. Even a condition of total slavery can endure only as long as the slave accepts his position. So it is with a socialistic structure. Although force or the threat of force is always at hand, it is necessary for the people at large to agree, at least implicitly, that the force is just and equitable. Ethical standards in vogue within a given culture will determine the continuation and support of any social and political system.

It is no wonder that the principles of collectivism have been accepted by so many, for these principles are taught to children from the cradle through their school years, by their parents at home, as well as in the schools, both public and private. Consider the following illustration. Johnny is six years old and he has been wanting a bicycle for some time. It is Christmas and his parents have decided he should have his heart's desire, so they have purchased a beautiful red and white bicycle for him. A large red ribbon has been tied around the frame and the gift placed under the tree on Christmas morning. Johnny, rubbing his sleep-filled eyes, enters the room and yells with boyish exuberance as he sees his gorgeous gift. His father and mother beam with satisfaction as they watch him climb all over it and experiment with the bell and the horn. Amidst all this excitement, Dad takes Johnny aside and begins to explain the responsibilities Johnny must now assume in respect to the gift.

First, Dad tells him, the bicycle is his very own. He must care for it, keep it clean, keep it out of the way of other people, must not bump into things when riding it, must not leave it lying around on the lawn, etc. Dad is trying to convey to Johnny the responsibility of being a property owner. Johnny, of course, is so consumed with the anticipation of enjoying his bicycle that he hears about half of what is being said, but he agrees to abide by all the rules.

After all the gifts are unwrapped and the house becomes a little more settled, Dad decides to spend a few relaxed moments enjoying his pipe and the morning paper. This serene scene is interrupted by screaming from the front yard. Upon investigation, Dad finds Johnny engaged in a tug-of-war over his bicycle with Jimmy, his friend from next door. Rushing outside, he separates the two boys and says, “Johnny, what are you doing to Jimmy?” (This is the accepted “good neighbor” policy—always assume your own child is wrong before any facts are considered.) Johnny replies tearfully, “Jimmy wants to ride my bike and I don’t want him to. I want to ride it myself.”

“Now, Johnny, don’t be selfish. Jimmy is your best friend and if he wants to use your bike for a while, you should be polite and let him have it.”

“But you told me it was my very own and I could do what I wanted with it and that I would have to take care of it.”

“That’s right, Johnny, it is your very own, but you must learn to share with others.”

“But it’s mine and I don’t want to share it.”

“Johnny, I don’t intend to argue with you. Either let Jimmy ride your bicycle or I’ll take it away!”

Well, now, here’s an interesting lesson for a six-year-old boy. He was told the bicycle was his and that he had complete authority and responsibility over it—that he was the owner. But it seems someone else has authority and control over it. The six-year-old is trying to learn. He wants to know how to act with his peers and is anxious to do the right thing. He begins to form basic ideas and an understanding of ownership and property relationships. Maybe, he reasons, owning something means that you have to take care of it and when someone else wants or needs it, you have to give it to

them. Maybe it means that if someone needs something, whoever has it should give it to them. If they don't give it up willingly, it is all right to take it by force. It is no wonder if, at this point, six-year-old Johnny begins to be a little confused as to the meaning of private property.

Let's take the illustration further. A few months pass and it is now spring. Dad is just returning from a very hard day at the office. Everything went wrong today. He had an argument with the boss, his secretary didn't show up, there was trouble with the car, and traffic on the way home was unusually heavy. Turning into the driveway, he was barely able to jam on his brakes in time to avoid running over Johnny's bicycle. Muttering under his breath, he charges out of the car and, picking up the bike, growls something to the effect that "I told that kid not to leave this thing in the driveway. I'll teach him a lesson this time he won't forget."

So Dad takes the bicycle into the basement and places it in a dark corner. He then walks into the house, greets his wife, and asks for Johnny. Johnny, who has been watching television, gives his father a cheery greeting.

Dad asks, "Johnny, where is your bicycle?" Johnny replies, "Oh, I left it outside..." and his eyes widen a little as he recalls where he left it. "I'll go out and get it and put it away."

He is gone about ten minutes and when he returns he is crying. "I left my bike in the driveway and now it's gone. Somebody stole my bike!" Johnny is precisely right. Somebody *has* stolen his bicycle. The thief is his father!

So another object lesson is impressed upon a child's mind. "If you do not care for your property in the way that others prescribe, they may take it from you."

At age six, a youngster is just embarking on his formal schooling. Here, again, he will be exposed to constant illustrations of the "rightful" decisions and actions of the majority, the group. He will be made to feel inferior if he attempts to insist on his own judgment concerning his property. He will be exposed to ridicule and ostracism if he does not recognize the "needs" of others concerning their "right" to his property.

Yes, the children of today and of yesterday have been well

grounded in the basic principles of collectivism. And when parents pick up the evening paper and read that their Johnny has been demonstrating as part of a group on his college campus, demanding their “right” to run the school, demanding “free” education, demanding doles and handouts via government subsidies, the parents are likely to react in head-shaking wonderment. They can’t imagine where *their* son came by these strange ideas.

If we first teach our children that need is of the highest moral order and that to give is somehow an attainment of the ultimate good, then we have prepared them for socialism. If we want to teach individualism, children must first be taught to *earn* the things they want. Then they must learn the responsibilities of private ownership. Only then can one be in a position to give, if he chooses. One can only rightfully give something which is his. If he does not own it, he cannot give it away—no matter how many people agree with him. Moral conduct is not defined by majority rule, but by a principle of nature.

We will now direct our line of inquiry into the background of the socialist ideals and their development into an organized school of thought. To do this we must take another step back into history—to the time of the great teacher and philosopher, Socrates.

Socrates was sentenced by a jury of his peers to drink a fatal dose of hemlock. While living out his last days in prison, he was allowed to engage in frequent discourses with several of his students. They did not want to lose their valued and respected teacher and spent many hours trying to convince him to escape. But Socrates insisted on holding to his conviction that the judgment of the state must be absolute, and for him to elude their verdict would set a bad example for his students and, in fact, would be a contradiction of his basic principles.

Foremost among Socrates’ students was a young mathematician named Aristocles. He was an outstanding scholar and was the leader in the discussions attempting to win Socrates to his students’ way of thinking. After Socrates’ death, Aristocles became very bitter toward the state structure—the system that had been directly responsible for the verdict. He set himself to putting down, in a precise fashion, his criticisms of the Athenian democracy. He

published this work and it met with great acceptance. He had launched a successful, intellectual, logical attack on the state. His friends applauded his work and agreed with his reasoning and his conclusions. But, they told him, he could not dismiss the matter at that juncture. He had pointed out the fallacies and weaknesses of democracy, but what did he offer in its stead? The critical analysis was devastating. Now what did he suggest as a replacement? If democracy was wrong, what would be an ideal state?

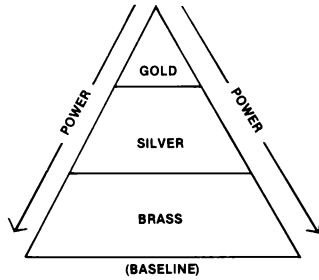
The problem presented a challenge to this young scholar. However, he considered himself worthy of the task and he set about constructing his idea of a model state. In keeping with his newly acquired position in the public eye, he decided to take a new name for himself. Aristocles was a tall, broad-shouldered, handsome fellow and very proud in his bearing. So he took a name befitting this image: “the broad-shouldered one,” or in Greek, *Plato*.

Plato’s family had been one of the oldest and noblest in Athenian aristocracy, whose members had taken an active and leading role in the governing of the state. He himself at times had leanings toward politics, which had always been frustrated. Plato finally finished his treatise on how a state should be structured. He entitled it, *The Republic*. He reasoned in this way: Man is imperfect by nature and to attempt to mold a perfect man is impossible. However, a perfect state can be created, and if men are controlled by a perfect state structure, then it is of no consequence whether the individuals within the state are perfect or not. The man will bear the image of the perfect state.

You will recall that Plato was a trained mathematician. He diagrammed his state structure geometrically, and to this day this general geometric pattern is used in the study of political science. He employed an equilateral triangle. The triangle was divided into three sections, horizontally, and each section represented a class of men.

The bottom line of the structure was referred to as the “base line.” This was meant to represent all the people within the state. The sides of the triangle were the “power” lines, designating the direction of power as flowing from the peak to the base: from the





top down. The people were divided into three categories. The lowest class was comprised of the “men of brass.” (Plato used the names of precious and semi-precious metals metaphorically to dramatize the qualities inherent in each class.) The “men of brass” were in great abundance throughout the state, many of them being slaves. These were base men, as brass is a base metal, who gained satisfaction and enjoyment from hard labor, and included the farmers, the laborers, the expendable soldiers. Plato reasoned that these people derived pleasure from toiling with their hands and backs, and it was most fortunate that they felt this way, for there was a lot of work to be done and there were large numbers in this category. The “men of brass” were also referred to as “men of the loins,” for it was judged that they lived mainly for physical pleasures.

The next class up the pyramid was the “men of silver.” These men were called “men of the heart.” Here was the stuff that heroes are made of. Here we would find the captains and generals of the armies and the bureaucrats. The great warriors among them would perform valorous deeds, and from the noblest of motives would engage in acts of pure patriotism.

In the top compartment of the pyramid of power, we come upon the “men of gold.” These are “men of the mind,” the purest of the pure, the intellectual giants of the realm, the only beings fit to rule. In his dialogue, *Government by Philosophers*, Plato states: “Until philosophers are kings, or the kings and princes of this world have the spirit and power of philosophy, and political greatness and wisdom meet in one, and those commoner natures who pursue either to the exclusion of the other are compelled to stand aside,

cities will never have rest from their evils—no, nor the human race, as I believe—and then only will this our state have a possibility of life and behold the light of day.”

The men of gold were Plato’s philosopher-kings. Their responsibility was to hand down judgments and edicts from their vantage point at the top of the pyramid. This is why the power lines flow from the top down.

There were prescribed periods of rigid training and testing to qualify men to move to the various levels. Children would be taken from their mothers at a very early age and their schooling and guidance would be the state’s responsibility. Physical exercise was considered important and was a primary requisite. Plato reasoned that compulsory exercise does no harm to the body, but knowledge acquired under compulsion would obtain no hold on the mind (the government school systems of today seem to disagree with this concept). Children would also be taken into areas of battle to view the scene at a relatively safe distance so that they would, “like young hounds, have a taste of blood given them.”

At twenty years of age, a selection was to be made and those worthy would continue in their education. Again, at age thirty, another weeding-out process would occur and the select would continue for a period of five years with concentrated philosophic study. Upon reaching the age of thirty-five, they would be “sent down again into the den” and be compelled to hold any military office and perform any duties deemed necessary by the state. This would continue for fifteen years. Finally, upon reaching the age of fifty (if they survived), if their career had been outstanding and distinguished, they would be considered ready to “raise the eye of the soul to the universal light which lightens all things and behold the absolute good.” Note the reference to the eye of the soul: Plato considered that for a man to reach the pinnacle of mental awareness he must be able to “give up the use of sight and the other senses, and in company with truth, to attain absolute being.”

Once reaching the status of the man of gold, a philosopher-king could spend the rest of his days communing with truth. The training of the children and young men was a continuing process and they would serve the state throughout their lives. The men of

gold would be unencumbered with day-to-day problems, so that their minds would be free to operate in the area of pure thought.

Being a mathematician, Plato tended to make all things numerically precise. For the perfect state structure, he prescribed that the ideal population should be 5,211 persons.

Plato's *Republic* met with great acceptance and his philosophy dominated that period of Greek culture. To this day, politics and sociology—among many other studies—are influenced more by the teachings of Plato than by those of any other man in history.

It is interesting that a philosophic position that is the complete opposite of Plato's had its beginning at the height of the acceptance of the Platonic ideals. This is the philosophy of stoicism, originated by Zeno of Citium, or Zeno the Stoic, in the fourth century B.C., as we mentioned in an earlier chapter. Of Phoenician descent, Zeno was born on the island of Cyprus and made a fortune as a businessman. He then founded a school in Athens to teach his disciples.

Zeno's premise was the antithesis of Plato's. Zeno reasoned that a proper goal is to perfect man; for if mankind were improved, a good society would logically follow. Zeno taught the values of self-recognition and the acceptance of responsibility. He taught that man should act in accordance with his own nature and with the rest of reality: "To live in accordance with nature is to live in accordance with virtue. In doing so, the wise man secures a happy and peaceful course to his own life."

To summarize the basic differences between stoicism and platonism, Plato formed the basis for state control, the mass man, social or group predominance, and an anti-private property concept. Stoicism forms the basis for individualism, private property, self-control and self-responsibility.

The problem that has confronted advocates of collectivism throughout history, and which has remained insoluble for them to this day, lies in their belief that no man has a right to any more property in land than any other man. They reason that there is only so much land on the earth, and it is merely a question of simple division—divide the total area of the earth by the number of people inhabiting it. But here they run into problems:

- (1) Population is constantly changing, making equal distribution impossible.
- (2) All land is not equal in quality. Some is barren, some can be farmed, some can be mined, and some is at the bottom of several hundred feet of water.
- (3) People *are* different. Some would use the land for productive purposes, but others might not.

Thus, socialism fights against reality, against the nature of things. But the socialists don't give up; if nature hasn't created favorable circumstances, they create a superstructure over it. This is the state. The state, they say, should own all natural resources and divide up the production. So the state takes on divine powers; insofar as the control and distribution of property are concerned, the state can do no wrong. Rightful action is defined as that authorized by the state.

And, through its "rightful" control over property, the state also has "rightful" authority of life and death over those under its jurisdiction. As the state operates on the principle of coercion, it follows that any person, be he a businessman or a politician, who resorts to the power of the state for *anything*, has become a part of the coercive process, whether he intends to or not.

Next we will study some of the prominent writers of socialist and individualist thought, from the seventeenth century to the present. If we can understand the motivations and premises underlying the various schools of thought, we will then be in a position to recognize the common thread that runs through the entire socialist fabric, as well as the places in which individualism must challenge the socialist position.

### **Adam Smith (1723-1790)**

In *An Inquiry into the Nature and Causes of the Wealth of Nations*, originally published in 1776, Smith provided a major breakthrough in the study of economics by placing it in its rightful philosophical context, rather than treating it as the study of means of production and distribution for the satisfaction of wants. His explanation of the workings of a free market and the maximization

of production through each individual seeking to maximize his own profit was a monumental contribution.

Smith clearly saw the merit of profit and of private property. His introduction of the idea of the “invisible hand” has been an inspiration to free-market economists from that day to this. Smith pointed out that even when the individual is not particularly interested in other men and is only seeking personal profits and personal satisfaction, he nonetheless serves others as well as the community at large. It is as though an “invisible hand” converted his efforts to the general good, even when all his energies were bent on attaining only his own personal good.

It is in the area of value that we must take exception with Smith. He held that the value of a good or service was determined by the amount of labor expended in producing it—that value was objective. Here was the beginning of the labor theory of value, which was discussed in Chapter 8.

Exponents of socialism immediately picked up Smith’s labor theory of value and used it as a weapon to fight the war against profit. If the value of an article was determined by the labor invested, then any remuneration above that amount would constitute an “excess” return and would be a form of fraud. You will find this basic error of economic reasoning to be commonly held, even today.

### **Jean Jacques Rousseau (1712-1778)**

While not a socialist himself, Rousseau’s philosophy was picked up by socialists and applied extensively. Rousseau attempted to maintain a rather ambivalent philosophic position, and not only socialists, but those who advocated individualism as well, borrowed ideas from him. He sought a voluntary relationship between men; one where the common will, or the general will, would be synonymous with the individual will. He held that no one should obey anyone but himself, but that each person *wants* to be good and, therefore, would want to obey the general will. When one would disagree with the general will, he would be acting contrary to his basic desire, so it would be proper to use force to achieve agreement with the *general* will in his case.

The concept of “forcing a man to be free” can be traced to

Rousseau's philosophic position. He considered that property (private ownership of property) tended to corrupt men and destroy their character. One should own only what he could actually use (the clothes he is wearing, the food he is eating, etc.), but when not in use the property should be available to whoever *would* use it. The man without property was considered to be the most free. Here is where we get the concept of the "noble savage." Rousseau's writings were well-received by the philosophic anarchists in support of their fear of any system that condoned private accumulations of property.

### **Edmund Burke (1729-1797)**

Burke is considered the intellectual father of conservatism. His philosophy was founded on the idea that *society* is an entity in itself, a living thing, a continuing contract between "the dead, the living, and those yet to be born." Burke felt that no generation had a right to disrupt the basic social framework. He looked to *tradition*, not to a natural-rights concept. A liberty was a "right" only if it was traditionally recognized as such.

### **William Godwin (1756-1836)**

Godwin is considered the father of anarchy. He viewed private ownership of property as the greatest evil in the world. He felt that privately owned property was the source of all wars, thefts, murders, slavery, etc., and reasoned that since private property was favor bestowed by the state, the elimination of the state would serve to eliminate privately owned property. This is the position of the classical anarchists. They get this distorted view of property relationships from a system of feudalism, wherein all property was owned by the state or conferred upon a select few as a political privilege.

Godwin did not advocate violence of any sort. He was quite a charming gentleman and in great demand at parties and social gatherings, where he would entertain the guests with his radical philosophy and his personable manner.

He was an outspoken critic of the institution of marriage, claiming that women were in fact equal to men and that the marriage contract made them chattels. He finally did marry a

woman named Mary Wollstonecraft, to provide a legal name for their expected child. The child was named for her mother and grew up to marry another famous anarchist, the poet Percy Shelley.

Godwin's last years were spent in disappointment. He was upset that his successful son-in-law would not support him; beset by a shrewish second wife who insisted that he work for a living. He lived out his last years on a government pension in quarters paid for by the crown.

### **Mary Wollstonecraft Godwin Shelley (1797-1851)**

Shelley wrote several novels and is remembered chiefly for her work of terror, *Frankenstein*, originally published in 1818. This is one of the most famous horror stories ever written, but few people realize that the monster created by Dr. Frankenstein is allegorical to the concept of government, and that the author sought to show how well-meaning people create a government-monster with the intention of doing good, but that the monster becomes uncontrollable and destroys the very people who created and sought to control it.

### **Pierre Joseph Proudhon (1809-1865)**

A disciple of Godwin and Rousseau, Proudhon was the earliest exponent of philosophic anarchism. He distinguished between *ownership* and *proprietorship*. He felt that a man had a right to what he was *using*, as a proprietor, but those things in one's possession which are not being used, may be used by others. He considered ownership to be evil because it would exclude others from the use of such things. He asked the question, "What is property?" and answered, "All property is theft." He was referring here to private ownership of property. Proudhon is considered to have been one of the major influences on Karl Marx.

### **Josiah Warren (1799-1874)**

The first of the American individualist-anarchists, Warren supported the labor theory of value. He favored "labor certificates" in place of money. Warren started "time stores," where he charged his customers on the basis of the time the clerk spent with them. He accepted labor notes as payment. In this way

he hoped to build interest in a socialist colony that would use labor as the central commodity behind its monetary system.

### **Benjamin Tucker (1854-1939)**

Best known of the American individualist-anarchists, Tucker felt the elimination of the state would usher in an “economic reform.” He considered usury the greatest of crimes. Tucker did not object to “reasonable” profits, but viewed large accumulations as dangerous. He was also opposed to private land ownership, which might lead to land speculation.

### **Henry George (1839-1897)**

George had the greatest following of the individualist-anarchists. He advocated a “single tax,” and favored the abolition of private ownership of land. All rents (land *value* rental) would go to the central authority, which would be the sole proprietor of all land. George was *not* opposed to profits and interest. The single tax would be a land rental, and the government would be financed in this manner. George opposed income taxes. He proclaimed himself a socialist rather than an anarchist.

Not all anarchists were peaceful, nonviolent men. In fact, the violent wing of the anarchists is the one that really attracted most of the attention. These men reasoned that they must do away with the evil of private property and the overbearing force of government which made it possible. They figured that as long as positions in government offered comfort, privilege, and safety, there would always be multitudes of men vying for these positions. Therefore, they reasoned that if the jobs were made hazardous and unhealthy, then no one would want them. In this way government would cease to exist, because men would be fearful of accepting public office.

### **Mikhail Bakunin (1814-1876)**

The violent anarchist movement formed under Mikhail Bakunin. This group comprised the bomb-throwing, pistol-packing, murderous element of socialism from the late nineteenth to early twentieth century. Here is a list of just a few of the group’s exploits:



- 1878 — Assassination attempt on Germany's Emperor William.
- 1881 — Assassination of Czar Alexander II in St. Petersburg.
- 1893 — French chamber of deputies: bomb thrown by Vaillant.
- 1894 — President Carnot of France assassinated.
- 1898 — Empress Elizabeth of Austria assassinated.
- 1900 — King Humbert of Italy assassinated.
- 1901 — President McKinley assassinated by Leon Czolgosz.
- 1913 — King George of Greece assassinated.

Bakunin had begun as a follower of Karl Marx, but broke with him when he saw that the communists wanted to replace the state with a “dictatorship of the proletariat,” which Bakunin rightly saw as just another name for an oppressive government.

### **Karl Marx (1818-1883)**

Although he began as a disciple of Proudhon, Marx saw the abolition of the state as impractical. Instead, the state must be in the hands of the workers; it must become their tool. Marx's view of the “withering away of the state” has been expressed only as a potentiality, to occur—if at all—at some vague and indefinite time in the future.

### **Robert Owen (1771-1858)**

Owen, who made a fortune as a capitalist-industrialist, spent much of his life trying to set up and support socialist communes. In fact, Josiah Warren patiently waited ten years or more for funds from Owen (which never arrived) to start a colony.

Many groups of communal socialists had their moments in the sun. Some lasted just a year or so and some managed to thrive and are still in operation today. There were the Owenites, the Fourierites, the Rappites, the Mennonites, the Dukhobors, the Hutterites, and many, many more. They settled in such places as New Harmony, Indiana; Utopia, Ohio; Modern Times, New York;

Greeley, Colorado; Brook Farm, Massachusetts; Tuscarawa and Oneida, New York.

While we may disagree with the underlying philosophy of these communal societies, and we may criticize their lack of understanding of basic economic principles, we must recognize that these people were getting together on a voluntary basis. They did not seek to impose their views upon any unwilling neighbor; they merely asked to be left to their own devices and sustenance.

An interesting comment on the communal socialists is that in order to start their settlements they invariably had to call upon sources of funds derived from a capitalistic venture. And the groups that failed were unable to sustain themselves after the initial funds ran out. They could divide up what was given to them, but they couldn't produce enough themselves to survive.

The groups that were successful were the ones that resorted to a system of capitalism and enjoyed increased production. An example of this is the Amana colony, which was very successful in producing for the market (refrigerators and freezers). Its ability to produce in a capitalistic system allowed its members to live as socialists.

### **Charles Fourier (1772-1837)**

We cannot ignore Charles Fourier in our study of communal socialists. Fourier advocated a "return to nature" movement, in order to allow free play to "passional attractions." He suggested a complex of "phalanxes." A phalanx was one great building that would house approximately 1,500 persons. All would work, because it is natural for men to work; but each would work when and where he pleased. There would be no marriage, but "passional attraction" would be unrestrained. Each would receive sufficient for his subsistence. Surpluses would be divided: 5/12 to labor, 4/12 to capital, and 3/12 to talent. The world would consist of two million phalanxes, the federation under the Omniarch resident at Constantinople, assisted by three Augusti, twelve Caesarinas, and twelve dozen Kaliphs.

The Aurora Borealis would be the source of heat and light for the whole race. Lions draw carts and whales

tow ships, when the sea would be converted into delicious lemonade and when the hen would be converted into the most precious of fowls and a truly cosmopolitan bird which would produce enough eggs in six months to pay off the English debt. (See F. Hearnshaw, *A Survey of Socialism*.)

In America during the 1840s, many famous people participated in the phalanx movement. Among them were Albert Brisbane, Ralph Waldo Emerson, Horace Greeley, Nathaniel Hawthorne, and James Russell Lowell.

More than three dozen attempts were made between 1840 and 1850 to establish communes. Some of these were the North American Phalanx, operating from 1843 to 1854; the Brook Farm experiment, from 1844 to 1847; and the Wisconsin Phalanx, from 1844 to 1850. Other attempts to organize phalanxes lasted an average of about fifteen months.

The communes failed because they overlooked such basic elements of human nature as man's disinclination to work for anyone but himself and his own family, and a man's natural dislike of beholding the "passional attractions" of other men for his women. It's also true that man is naturally irritated at being cooped up everlastingly in a barrack with scores of other lazy and demoralized cranks, whom he regards with a passional repulsion.

To understand in depth the contemporary social system, we must look to old England in the late nineteenth century and acquaint ourselves with the development of the most successful of all groups advocating the philosophy of collectivism—the Fabian Socialists. The society was founded in 1893 by Sidney Webb, Beatrice Potter (who later became Mrs. Sidney Webb), and Edward Pease. In 1894 they recruited a struggling young author named George Bernard Shaw. Together these four formed a nucleus of intellectual stimulation that attracted many of the most able people in England to their cause.

The Fabians' basic motivation was to make the world a better place. They recognized that there were many things to do and they believed there would always be a government in control of things. They saw the constant struggle of party politics and recognized the

uncertainty of being in office for a few years and out of office for a few years. So they set to work on the fundamental principles they would employ.

The Fabians saw that it mattered very little *who* was in power, as long as the programs they (the Fabians) advocated were being implemented. They stayed aloof from party politics. Instead, they concentrated on ideas and programs that would have wide public appeal. Their targets were crime and poverty. Through frequent meetings at the home of Fabian secretary Edward Pease and other members, and by the publishing of numerous articles and monthly “tracts,” the society was able to attract the attention and support of the intellectuals.

To deal with the problems of poverty and crime, exhaustive research and reams of data were compiled—extreme care was always taken to be precisely accurate in their representations. The information, in the form of a voluminous report, was then made available to some political figure (party preference was not a prime factor). The politician or bureaucrat would then present the report before an assembly and pose the problem as a challenge that must be met “in the name of humanity.” It would develop something along these lines:

Gentlemen of the House, I bring before you information of a most vital nature. I have in my hands a study of the housing conditions in Manchester. This report shows that unemployment has risen to dangerous heights; wages paid to workers are below a livable minimum; widows with children are suffering in dark, filthy hovels; there is not enough fuel to heat the homes for more than a few hours each day; the children are undernourished and suffering from malnutrition. It is the responsibility of society to provide livable and adequate housing for these needy, fatherless families. I have a plan that will provide housing at a cost of five million pounds.

The attending members would be expected to gasp a trifle at the prospect of increased taxation to support a five-million-pound housing bill. Allowing a few weeks for the members of Parliament

to stew over the problem, the Fabians would then prepare *another* plan. This new plan would accomplish the same ends, but for only three million pounds. The second plan would then be made available to a member of the opposing political faction. Consequently, at the next meeting of Parliament, he would rise and state that his worthy opponent had come up with a laudable suggestion to alleviate a pressing need; however, he had a plan that could accomplish the same ends for *only* three million pounds!

Well, now, this was something to think about. Here was an opportunity to achieve the same good, and save two million pounds! This would not only please the charity's recipients, but also would placate those insisting on keeping expenses down.

A spirited debate would ensue and soon someone in the back row would stand and shout, "Enough of this haggling—let's put the issue to a vote!" And they would do just that. They would proceed to vote on whether they should adopt the three-million-pound program or the five-million-pound program. Of course, because good men in government always want to keep expenses down and provide only the basic necessities, the lower-cost plan would usually be accepted. And the people would have exhibited the right of free men at the voting booths. They would have made their choice. And chances are, if you asked any one of the voters why he had voted as he had, he would have said simply, "I took the best of the alternatives open to me; I chose the 'lesser of two evils.'"

It is just such use of the political structure that has given the Fabians such unquestioned success in the political arena. Their *modus operandi* of giving the people a choice, but making sure that either of the choices would be consistent with their aims, has been and is being used by politicians in every government in the world.

The following statement by Sidney Webb is an excellent example of Fabian-socialistic reasoning, and vividly displays the efficacy of their rationale:

Wise prophets nowadays do not found a partial community which adopts the whole faith; they cause rather the partial adoption of their faith by the whole community. Incomplete reform is effected in the world of ordinary citizens, instead of complete reform outside

of it. Genuine socialism grows by vertical instead of horizontal expansion; we must make ever more socialistic the institutions amid which we live...by this method progress may be slow, but failure is impossible. No nation having once nationalized or municipalized any industry has ever retraced its steps or reversed its action.

## **Chapter 29**

# **Communism**

Having formulated his theories respecting communist structured societies, Marx was quite anxious to see his prognostication fulfilled. He thus busied himself with attempting, through revolution, the overthrow of existing capitalistic structures and their replacement with communism.

As you recall, Marx took the view that communism was the “inevitable” consequence of capitalism. It was determined, through the process of the dialectic, that capitalism would always contain within itself the forces of exploitation which would result in its ultimate replacement by communism. One might wonder, then, why Marx should be interested in seeing the violent overthrow of capitalism. If it was true that capitalism would destroy itself, “inevitably,” why not let nature run its course? This is a point the Marxists have answered by saying, “It does not hurt to help things along.”

Marx saw the transitional phase between capitalism and communism as one that would so disrupt the modes of production that great pain and anguish would occur. Therefore, as he viewed it, although the metamorphosis was inevitable, the more rapidly it could take place, the less pain and anguish would be experienced. He thus created a splendid instance of inverted logic. Since the

passage would be painful, cooperation with “historic inevitability” would reduce the extent of pain; therefore, if to speed the passage a few murders had to occur today, this would be preferable to many murders tomorrow. It was this argument that doubtless led to the acceptance by doctrinaire communists of the concept of “party discipline.” And it elevated to a fine art the idea that the end justifies the means.

At any rate, Marx made a number of futile attempts to get his revolution off the ground. One was the Paris Revolt of 1848, which failed; a similar attempt was his effort to inspire German troops to revolt against Bismarck in the Franco-Prussian War.

By 1903, with Lenin and Trotsky now vying for the leadership of the communist movement, the question as to the most desirable locale for a successful revolt was under heated debate. Marx had always maintained that such a revolt would have to take place within an advanced capitalistic nation. As a consequence, Trotsky favored launching the revolution in a country such as the United States, England, Germany or France. Lenin, on the other hand, wanted Russia. He was of the view that the peasants were more than ready for revolt. At the Second International, held in Brussels in 1903, Lenin won out.

We are all acquainted with the Russian Revolution of 1917, and its resultant communist state. What is less familiar, however, is that the Russian experience was not the first of the communist-inspired revolts.

A communist revolt succeeded in Mexico in 1910. Under the leadership of Pancho Villa, Zapata, and others, the new government was able to carry out a program of “agrarian reform.” Prior to this time, Mexico lived under a plantation aristocracy, and the cry of “Tierra y Libertad” (“Land and Liberty”) served to coalesce the emotions of the Mexican peasants against the privileged few.

The new Mexican government thus confiscated major holdings (land, factories, commercial centers, etc.). It was thought that as a result of the revolution, the peasants would simply move into these institutions and take over their operation. Such, alas, was not the case, and the government retained control.



Prior to the communist uprising in Mexico, the lot of the peon had been unfortunate. A few wealthy land owners controlled nearly all of the surface of the country, most of them aided by a corrupt and insensitive gang consisting of politicians and police. To Marx, the solution was simple: seize the government, grab the land and cut it up into tiny plots so that each peon family could have approximately ten acres with which to support itself. The Communist credo, "to each according to his need" will always seem like a rallying cry to those who believe themselves to be abused. Couple it with opportunity, multiply it by hatred, precede it by cruelty and stupidity, add greed for seasoning, and you have a formula for violent revolution.

Marxist economic theory was followed to the letter. The peons receiving the land had no knowledge of farming techniques, no tools, and by virtue of the division of land into small parcels, no opportunity to commercialize farm production. Whereas they had managed to survive before, favored by climate and the kindnesses of an occasional patron or indifferent stewardship at the middle management level, they were now cast into a desert of non-production. The consequence was an economic disaster for Mexico.

Since this time the Mexican government has moved away from the communist ideology in which it began, and private ownership of property is to some extent encouraged. However, the government still retains title to 51 percent of every piece of land. Private holdings are, of course, politically precarious.

In 1911, another communist revolt succeeded on the mainland of China, under the leadership of Sun Yat-sen. Sun was able to get financial backing from the United States and proceeded to set up his "Republic of China." After the revolt, Sun Yat-sen remained in the background, using Prince Sung as his figurehead. Sung, however, had visions of re-establishing the ancestral royal line and as a consequence a further conflict broke out in 1913. In 1916, Prince Sung won a military victory over Sun Yat-sen, but died soon after, before he could solidify his gain. Thus it was that Sun Yat-sen, who had fled to Japan, selected a man by the name of Mao Tse-tung.

Mao's position was not to be permanent. He was simply to "hold things down" while the way was paved for one of the "new intellectuals" of the communist movement, Chiang Kai-shek.

Chiang went to Moscow for further education in Marxist methodologies, but while he was gone, Mao began organizing his own base of power. Upon his return from Moscow, Chiang got into a debate with Mao over where the financial assistance for their government should come from—Russia or the United States.

While Chiang Kai-shek ended as more of a "democrat socialist" than Mao, our tendency is to assume that Chiang was thus a "profreedom" individual. Such, however, was not the case, as witnessed by the bloody and ruthless fashion in which Chiang took over the island of Formosa. In point of fact, the struggle between Mao and Chiang has been nothing more than a family quarrel, since both men married into Sun Yat-sen's family.

Let us turn to the Russian revolution again. As a result of the "balance of power" machinations during World War I, Czar Nicholas of Russia became rather indecisive as to whether or not to remain in the war. At the same time, forces of revolt were at work within Russia seeking the takeover of power. It was thus that a palace revolt occurred in St. Petersburg, with the czar and his family taken into custody. Alexander Kerensky, who became the head of the provisional government, tried to organize the *duma* (the representative body) to set up a constitutional government for Russia.

At this time, however, Lenin came into Russia and called upon Kerensky to go along with him. Kerensky refused, and Lenin thus went out promoting his views and building up support. As a result, in November 1917, the second revolution occurred and the communist regime gained the ascendancy.

When the communists seized power, they immediately nationalized all commerce, finance, agriculture, industry, etc. The national debt was repudiated, the currency was debased, and rationing was introduced. The result was immediate and absolute chaos. There was an immediate cessation of production. Famine and pestilence ensued. Since the currency was totally discredited, a system of barter was instituted.

The economic horrors that followed the communist takeover can hardly be described. Not only were men and women starving in the streets, but juvenile gangs wandered about pillaging wherever they could. In some cases, such gangs actually took over an entire village, and were known to kill and eat other human beings.

It became evident to the communists that such a state of affairs could not be endured, and thus in 1921 Lenin's policies were relaxed. The New Economic Policy was instituted in their stead.

Under the New Economic Policy (or N.E.P., as it was called) some degree of return to marketplace concepts was permitted for artisans, tradesmen, and farmers. As a result of even this minor concession to profit-seeking capitalism, Russia began an immediate economic recovery. By 1928, the Russian economy was back to its 1913 level.

When Lenin died, Joseph Stalin replaced him (although Leon Trotsky was slated to do so). In 1928, Stalin instituted his first "five-year plan." Essentially, this plan was the same as that which Lenin began in 1917. The N.E.P. system was eliminated, and the consequence was another sharp economic collapse. The results were quite similar to those following the 1917 coup.

In 1933, Stalin presented his second "five-year plan." In this, he pretended to duplicate his first five-year plan, but actually he reactivated the New Economic Policy. Perhaps this was because he recognized that increased production would ensue, although it has been suggested that this concession was demanded by the United States government in return for American recognition of the communist government. At any rate, the U.S. granted its recognition in 1933.

While the N.E.P. system was thus reinstated in fact, with farmers permitted to sell their "surpluses" above their quotas in the market, nonetheless the government set the quotas very high, making it difficult for the incentive system to actually take hold.

It is interesting to point out that under the Russians' "quota system," if the amount produced was approved by the commissar, the factory was deemed to have met its production—even if the finished product didn't work! If, for example, a tractor was produced which didn't run, but the commissar approved that

tractor, the factory was that much closer to meeting its quota. To demonstrate the absurdity of this system, one factory was given a quota of producing so many tons of chandeliers. How did the factory fulfill its quota? It simply put additional amounts of lead into each chandelier to increase the total weight!

At about this same time, a miner by the name of Stakhanov went to the commissar and suggested that miners be paid on the basis of what each one produced. This, he thought, would help spur sagging production. The commissar agreed to try this out at one of the mines, on an experimental basis. The result was, to the communists, overwhelming; the mine output was way over its quota. The concept was thus picked up by the government and hailed as a great new socialist idea! Of course, it should be pointed out that where such incentive pay systems were used, they were regarded not as “profits,” but simply as “material rewards.”

As a result of these, and other, concessions to the market system, production slowly increased in Russia. Rationing was reduced, and more consumer freedom was allowed. At the same time, graft became quite prevalent. Actually, all that graft amounted to in this instance was an effort on the part of factory managers to get things done in spite of government regulations. In effect, then, graft became a substitute for the marketplace.

By 1936, Stalin saw that the old socialist bromides were rather ineffectual. The communists had long embraced the concept “from each according to his ability, to each according to his need.” However, a man living under communism is motivated by the same desires as a man living under capitalism or any other form of social organization. The result was that most people found themselves in the possession of more “needs” than “abilities.” So long as the promise was held out that people were to receive the same rewards (based on needs) regardless of the amount of their production, there was no motivation to produce.

As a result of this failure of communist ideology to comprehend the nature of man, Stalin decided to alter the Russian constitution. No longer would economic rewards be distributed on the basis of “need”; rather, the new concept was to be “to each according to his *work*.”

The communists continued to make concessions to the marketplace. Private inheritance of property was allowed; it was possible for people to own their own homes; small, privately-owned farms began to appear; there was a continued decentralization of economic controls; profit-sharing was instituted.

Thus it was that the Russians managed to keep their economic heads above water over the years. Apologists for communism like to create the impression that life in the Soviet Union is, for the average citizen, pleasant and rewarding. However, we do know that the production of such basic items as agricultural commodities has been on a very precarious basis over the years. We know, as well, of the recent pressures being exerted by the Russian population for more basic consumer goods.

The relative economic positions of the United States and Russia have often been debated; many have taken the view that the Soviet Union is "catching up" with the United States. However, in a study appearing in *U.S. News & World Report*, Professor G. Warren Nutter of the University of Virginia outlined the comparative positions of the United States and Russia from 1913 to 1955. In the production of steel ingots, for example, the Russians were twenty-one years behind the U.S. in 1913; by 1937, they were thirty-two years behind the U.S.; and by 1955, twenty-nine years behind. The net result was this: As of 1955, after thirty-eight years under communism, the Russians had *lost* eight years on the U.S. in the production of steel ingots. These figures are as follows:

#### NUMBER OF YEARS LAG IN:

|                         | 1913 | 1937 | 1955 |
|-------------------------|------|------|------|
| Steel Ingots            | 21   | 32   | 29   |
| Electric Power          | 13   | 21   | 16   |
| Coal                    | 45   | 49   | 47   |
| Crude Petroleum         | 14   | 26   | 34   |
| Natural Gas             | 32   | 51   | 52   |
| Mineral Fertilizer      | 43   | 24   | 16   |
| Paper                   | 44   | 47   | 54   |
| Cement                  | 19   | 33   | 32   |
| Rails                   | 42   | 57   | 54   |
| Railroad Passenger Cars | 21   | 46   | 53   |

|                          |    |    |    |
|--------------------------|----|----|----|
| Railroad Freight Cars    | 33 | 51 | 69 |
| Butter                   | 21 | 38 | 35 |
| Canned Food              | 43 | 45 | 45 |
| Boots & Shoes            | 23 | 44 | 44 |
| Cotton Fabrics           | 28 | 44 | 48 |
| Silk & Synthetic Fabrics | 23 | 44 | 25 |
| Woolen & Worsted Fabrics | 43 | 67 | 69 |
| Average For The Above    |    |    |    |
| 17 Products              | 28 | 36 | 34 |

Later studies continue to demonstrate that, while the Russians are not as far behind the U.S. as they were under the first thrust of communism, still they remain behind U.S. production, and for the most part are further behind the U.S. than they were prior to the communist takeover in 1917. It has not been our purpose in this chapter to compare Russian and American economic production as of *today*, but rather to demonstrate the effect that communism had on economic production within the Soviet Union. It should be remembered, of course, that this relative improvement within the Soviet Union has followed government's relaxation of controls and movement more in the direction of the marketplace. Recent news items have declared:

"Soviet enterprises placed on the new economic reform system increased profits 24 percent last year....The reform gives enterprises more freedom to respond to market needs and judges their success largely by profits."

"Kremlin calls for expanded private farming to increase food production."

"Restaurant managers are to be rated on the profits they make rather than on bureaucratic quotas."

The important point that should be kept in mind is this: It is a timeworn cliché among many persons that "socialism (or communism) will not work." This is not true. For centuries, men have lived under one brand of socialism or another. In fact, the periods when men lived under systems other than socialism have been the exceptions. Thus, for hundreds of thousands of years,

men have survived under a rigidly controlled system of production.

Which form of economic organization can serve to maximize human well-being? Which system will provide men and women with more of the goods and services they demand?

Under communism, men *do* produce; men *do* survive. So it should not be supposed that every socialistic system is simply living on “borrowed time,” with utter collapse imminent. Socialism *does* work, but is it the *best* system? As between socialism and private capitalism, which system can best serve to maximize human well-being?





## **Chapter 30**

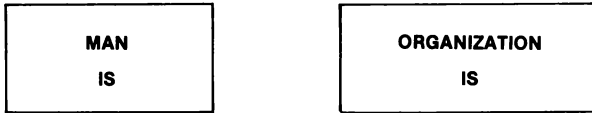
# **The System**

For human beings to live and to maximize their well-being, organized human effort is mandatory. Individually, man does not have enough strength, acumen, endurance, or longevity to manage without the help of others of his kind.

It is all very well for those of us who believe in individualism to insist that we are completely independent and self-reliant and that we don't need anyone else. Reality, that of our natures and of the world we live in, gives us the lie.

Rather than insisting that we are completely independent and require no one else, we might do well to amend this statement to read: Each man is capable of independent conduct to the extent that he does not need to become a parasite on others. Independent conduct which eliminates parasitism is desirable. Total independence, while conceivably possible, is not desirable for it would inevitably result in the decline of our standards of living, which decline would continue to the point of mere subsistence. And in such a situation, survival would be possible for a very limited number of people, and virtually impossible for children. The end of the human race as such could be predicted with confidence.

We can begin our study of organized human effort with two ultimate givens:



The tendency among many is to presume that man's well-being is constantly diminished by the existence of organization. Thus, they imagine that man, qua man, finds his interests injured or destroyed by organization, qua organization. Such persons view the picture this way:



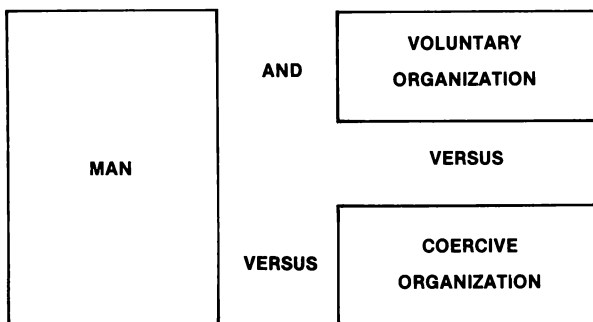
But this is unrealistic. Man is not necessarily thwarted by organization although his energies, needs, and wants may be thwarted by the wrong kind of organization. Experience shows that men fulfill themselves and satisfy their needs and wants through organizations, when the organizations are correctly put together.

In all the cycling periods of time, men have found only two ways of organizing human energy to reach specific goals. They can organize voluntarily, offering rewards to those who agree to work with them. Or they can organize coercively, offering punishment to those who refuse to work with them.

Most certainly, they can also seek to combine these two methods and establish organizations which employ both the "carrot" and the "stick."

However, while one cannot deny that compulsory and coercive organizations may very well reach the goals intended, they can only do so through the process of disrupting some of the wants and needs of others, whereas when voluntary methods are employed exclusively, no disruption is possible, since each individual is always capable of exercising his own value judgment so that he can withdraw from an organization if, in his judgment, it no longer serves to fulfill his needs or wants.

Perhaps a better way to look at man in conjunction with organizational effort is this:



In order to discuss this issue thoroughly, we are going to refer to any kind of voluntary organization or association as a *system*. This is the kind of organization which is found in the marketplace when the market is uncoerced. Whenever we find a coercive organization or association, such as is the rule with governmental organizations, we are going to refer to it as a *structure*. What concerns us are the methods to be employed by means of which man's well-being, both material and otherwise, is to be maximized. So we must discuss both systems and structures. To discuss structures requires that we discuss governments, per se. We must not limit ourselves to any particular type or kind of government. Rather, we must seek out and list those factors which differentiate *any* government from *any* system.

We have already pointed out that for a government to exist in fact, there must be three factors present. Someone must be willing to make decisions for others and to enforce those decisions. Those upon whom these decisions are to be enforced must be willing and tractable. There must be a point of friction, that is, there must be a place where the enforcement proceedings can *physically* occur.

Formal government can be defined as: *a group of men who sell retribution to the inhabitants of a limited geographic area at monopolistic prices*. Informal governments do not seek to sell. Rather, they seek to enforce their wills upon others without consulting them in advance to obtain their acquiescence and submission. An informally established government can be brought into existence by one man with a gun. Any bank robber or other

armed brigand is simply setting himself up as the temporary government of his victim. He is not seeking to obtain voluntary cooperation. He is seeking to obtain coerced obedience.

Informal types of government can have a kind of organizational structure. We are all familiar, at least through newspaper accounts, with the organized gang, the international crime syndicate, and other types of informal governments. Informal government can be defined as: *certain men or groups of men who seek to impose their controls temporarily upon other men with whom they have an immediate point of frictional contact.*

All organizational activity, whether systematized or structured, is put together for the purpose of obtaining specific patterns of behavior from others. Thus, all organizations, if we reduce their functions to simple terms, are engaged in the processes of motivation.

A system seeks to motivate those from whom it wishes a patterned behavioral response by offering a value that will be accepted voluntarily. A structure seeks to motivate those from whom it wishes a patterned behavioral response by threatening to remove a value, or by the actual removal of a value. It follows that all structures impose upon the value choices of individuals and thus help to minimize human well-being to some degree or to a total extent.

Many people suppose that the only way to motivate human behavior is to set up a structure or process of compulsion or retribution. Formal governments rely on retribution, whereas informal governments rely on direct compulsion. That is to say, a formal and established government seeks to obtain willing acquiescence. It sets down a structure of rules or laws, disobedience to which will bring punishment. Informal governments are invariably temporary, and rely upon direct and immediate compulsion in order to obtain the motivated response sought.

One of the discernible difficulties with all coercively operated structures is that the more formal they are at the outset, the more they gravitate toward informal operations. Additionally, if an informal government is organized, its tendency is to drift toward formality. This latter is especially observed when we watch the

progress of revolutionary juntas. They begin as organized gangs opposing the more formal governmental organizations they seek to supplant or overthrow.

A dictatorship is the culmination of government in its extreme form. It combines the elements of the formal with the elements of the informal. There will be, in most dictatorships, both the formalized rules, disobedience to which will be punished; and there also will be the will of the dictator which can be expressed coercively at any moment, irrespective of any rules that may have been promulgated in advance. Thus, all governments, whether formal or informal, contain elements which move toward ultimate control of others.

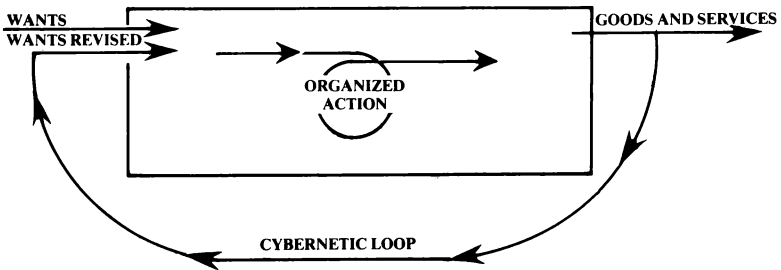
All formal governments, beginning with the tribal council or the town-hall type of democracy, up to and including dictatorships, rely on politics. Politics may be defined as: *the method adopted in governments for obtaining motivation toward a monopoly*. In all political actions, a monopoly of control and method is sought. Governments are the perpetual enemies of competition. They begin by seeking a monopoly of force over the inhabitants of a given territory. They end when their monopolies become total. This means that governments are invariably their own worst enemies. As with any parasite, total success means extermination. A recapitulation of these points may help.

- (1) Human well-being is maximized through voluntary organization.
- (2) Human well-being is minimized through coercive organization, whether formal or informal, because individuals are unable to act on the basis of their own values.
- (3) To maximize human well-being, each individual must be free to act upon his own value judgments with the implicit prohibition that in so acting he does not impose his will upon any other individual. Through voluntary organization, each individual is free to maximize his own well-being through the exercise of his own value judgments, without imposing on any other.

A voluntary organization is called a *system*. (It could be claimed

that the individual is, himself, a system. In a sense this is true, but it need not concern us. The area of concern relates to organized human energy and the methods and goals of such organized effort. For our purposes, we can accept the fact that each individual who has not joined with any other individual has been organized by nature and in this respect his freedom and well-being are not in question.) It is at the point where two or more persons find a common interest or a common goal, that human energies will either collide or coalesce.

When human energy from two or more individuals becomes organized toward the accomplishment of a given objective, we can call that organization a *system*.



The rectangle is the system itself. It could be a married couple, a partnership, a fraternal organization, a church, a school, a business, an industry. The simplest way to describe its operation is to describe the operation of any business.

However, in thinking of systems there are three basic types.

- (1) The family.
- (2) The business.
- (3) The fraternity.

These can be organized singly or in any combination. You will note the essential characteristics of any system:

It has a point of input where messages from the system's environment are communicated to the system. This is indicated by the arrow at upper left, called "wants." Incidentally, some people use the term "needs" to illustrate the same point. "Want" is a

word that relates to economics; “need” is a word which has been politicized. When the term “need” is used, the connotation is that nobody can rightfully deny fulfilling that “need.” It has followed that an expressed “need” is often used to signify a “right” to a property owned by another.

It has an organized method of procedure illustrated by the circle in the center, “organized action.”

It has a point of output where the results of organized effort (goods or services) flow back into the environment in an effort to satisfy the wants which were communicated at the beginning. This is shown by the arrow at upper right.

It has a cybernetic loop wherein the environment signals its degree of pleasure or displeasure from the results of the output, and issues new input information so that the organizational operation can be increased, diminished, or corrected in terms of environmental (market) demand.

This same design serves to explain *any* method wherein human energy is voluntarily organized in the accomplishment of any objective.

In this sense, all systems are ecological. That is to say, all systems exist within a general environment wherein the system feeds on its environment, and in return supplies something to the environment. As long as the environment is “wanting” something that the system will supply, the environment will continue to demand it from that system. As long as the environment is willing to pay for that good or service (supply something in return), the system will continue to produce what is demanded.

Every system is horizontal in its relationship to the environment. That is to say, it exists within its environment or market, and is neither above it nor below it. Systems operate on a quid pro quo basis. This is simply one way of explaining the law of supply and demand.

The key factor of any system is the cybernetic loop. What is a cybernetic loop? To explain it, perhaps this illustration will suffice. Most of us have watched baseball games. We’ll see a batter drive a hard fly out into center field. The fielder takes a look at that arching spheroid and runs to the point in the field where he calculates

the trajectory of the ball will terminate. Then what happens? We see the fielder do a sort of dance—advancing, retreating, stepping to first one side or the other—as new inputs (information) are communicated to him through his eyes so that he recalculates and corrects his first estimate as to the termination of the trajectory. Finally, if he is good enough, he will correctly determine in advance where the ball is to come down and his gloved hand will be there to catch it.

Why doesn't he simply take one look at that fly ball, walk over to the place where the ball is to come, and catch it? Because, as a human being, his evaluation of the inputs isn't that accurate! He corrects himself constantly *while in motion*, so that in the end he will maximize his chances for success.

That is cybernetics. It is the study of corrective actions taken after a commitment to action has already occurred. And this is what every system must do, if it is to survive. It must constantly get the "feedback" from its environment so that it can correct its output in terms of new informational input.

This is why all systems require management. This is one of the prime functions of management. It must deal with the informational input so that corrections can be constantly made *while in motion*.

We all experience much the same thing when we drive a motor vehicle. We don't just set the car into motion aimed at its ultimate destination. We *manage* the car *after* it is set into motion. We correct its progress constantly by adjusting speed and direction, so that information we didn't have at the beginning is fed into the car's behavior so that our ultimate destination can be reached.

The human brain is undoubtedly the finest cybernetic calculator ever produced. But using the brain is a tiring process. And we live at a time when we have a great yearning to make everything automatic. So we are now engaged in building machines and computers that can simulate the behavior of the human brain and make corrections without employing individual judgment.

There is one overriding temptation all of us face when we find ourselves engaged in any capacity within a system. We not only want to make things easier for ourselves and, hence, minimize our



personal judgment factor, we also want to make the operation of our system perpetual. This can be called the longing for immortality.

Once we have a successful system running, we not only want it to run automatically, we want it to run forever. But this would presume that the same input demands would be received over and over again and no correction would ever be required.

To begin with, Henry Ford received correct information from his market respecting the desire of the average man for a reliable, cheap means of motor transportation. Henry Ford nearly went broke when he failed to alter his output in spite of new demand inputs.

He insisted on making all his cars alike, black, and standardized. So long as there was enough demand for this type of vehicle, in a market starved for *any* vehicle, he prospered. When market demand changed and people wanted cars that were different, better, faster, more comfortable, and in different colors, they stopped buying Fords and began purchasing other kinds of cars. Reluctantly, Ford had to listen, and finally had to alter his output. Had he not done so, there would be no Ford Motor Company today.

But there is another way of assuring that the output of a given system will continue to be accepted by its environment. This is the process of structuring. It is the process of corrupting a system so that the system itself corrupts its environment, and then it doesn't matter what the *real* feedback information may be, the system can continue to function in spite of the fact that its output is no longer wanted or acceptable.

An environment, through political action, can be compelled to accept and sustain a system that is no longer wanted. And the temptation to indulge in this type of corruption confronts every successful businessman.

If a businessman can get a law passed that will protect the system from competition, or can guarantee a purchase of the product, or can penalize its competition, or can get tax-paid support of one kind or another, then the businessman can ignore his own market and simply act to please an overarching structure.

Now go back and look at the drawing of the system again. Let's imagine that this is a system relating to the manufacture of widgets. Within the rectangle there will be a whole series of subordinate systems which in combination produce the system of the widget factory. There will be, for instance, a personnel department. The wants of the factory in terms of personnel are communicated to the personnel manager. He must hire the men and women whose skills and abilities are required in terms of widget manufacture. Then there is a purchasing department, a bookkeeping department, a financial department, a sales department, and so on. Each of these is a subordinate system to the widget factory itself. Each of these is a minor system within the overarching factory system.

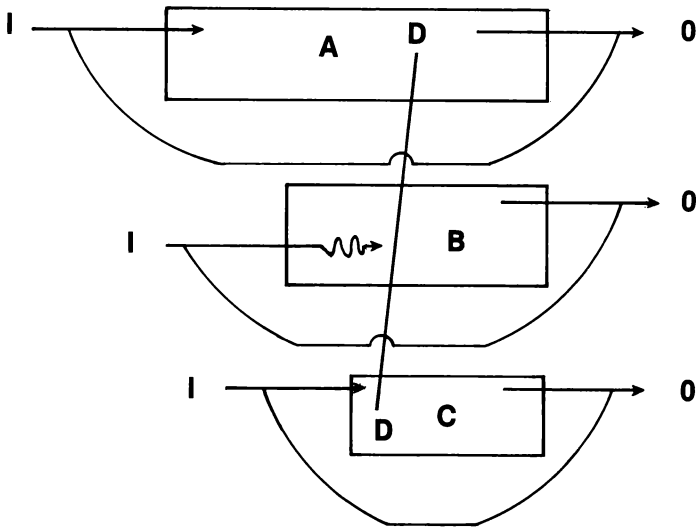
In a free market there will be a number of competing widget factories. Each factory is a subordinate system to the overarching system of the widget industry. But the widget industry is a subordinate system in the overarching system of the entire national economy. And a national economy is a subordinate system to the overarching system of humanity itself. Thus, while each system is horizontal to its market, it has a vertical relationship to both subordinate and overarching systems.

When a businessman succumbs to the temptation of seeking immortality for his particular system, and manages it successfully, we can say that his system becomes structured. It is now dysfunctional in respect to the alteration of demand. But, instead of perishing, the system continues to function due to the corruption that has been brought into play.

Imagine the workings of a cell in a human body. As most of us know, cells die and are replaced by new living cells. The cell itself is like a system. It lives within its own ecology by feeding off its environment and by providing something in turn so that its environment can feed.

Now, suppose a cell refuses to supply what the environment needs. Properly, it will die and the environment will be rid of it. But suppose it is being sustained artificially and keeps on producing that which the environment doesn't require. This is, in a sense, a cancer cell. It should have died, but it keeps living. It is now dysfunctional. It robs the environment of something, but it does

not return anything that is wanted. It is a pirate cell, a bandit. It is dysfunctional. And it prevents the formation of a new vital cell or system that would be functional. The nature of this dysfunction, both with the cell and the human system of organization, is this: dysfunctional attributes now serve to introduce dysfunction both to subordinate systems and to overarching systems in a rigid line from the now dysfunctional system, or cell, which penetrates adjacent cells or systems.



This illustration shows what happens when a system (B) becomes dysfunctional. By means of governmental regulation and taxation (represented by Line DD), System B can now receive payment, not because its market wishes the goods or services offered, but because government has intruded to make it profitable for the system to continue to produce irrespective of changing market demands.

The rigid Line DD drawn across the workings of System B guarantees that input information (I) will not affect output (O). In a subordinate system (C) the contagion spreads, introducing additional frictions and preventing immediate response to new input information; i.e., System C management now wishes to

benefit by the rigidity of government support. The same effect is noted in the overarching system (A). As the rigid line extends across adjacent systems, they too become dysfunctional to the degree that they accept the intrusion of the state.

Thus, instead of permitting death (business failure) to occur, we sustain, through artificial corruption, the dysfunctional operation. The dysfunction spreads. Other systems are corrupted and soon become structured. The structure is rigid. It does not respond to environmental demands. If this process is permitted to continue without check, the dysfunction spreads more rapidly and soon ultimate overarching systems are corrupted.

Note that as long as there is an overarching system which is not entirely dysfunctional, dysfunctional subordinate systems can survive. But when an overarching system becomes dysfunctional, death finally strikes. It no longer removes a single dysfunctional system. Instead, it strikes to remove an entire culture, or at least an overarching system. If the entire culture is protected by corruption and structuring, it is conceivable that the dysfunction could bring death to the ultimate overarching system, humanity itself.

The principal difficulty here seems to be man's superstition that death is always evil and that life is always good. This is not true. Function is always good and dysfunction is always bad. Rightfully, dysfunction brings death which, in this case, is good. If not, death is postponed, and when it does come, the effect is far more destructive and devastating.

There are three ways in which systems can be classified. They are: the family, the business, and the fraternity. Remember, a system is a way in which human energy is organized for the purpose of getting something done. And, characteristically if we are speaking of a system, we are speaking of a way of getting things done not requiring coercion or force. Systems, as we use the term here, require voluntary cooperative effort and exclude coercion. We classify the three principal systems as we do because each of these classifications arises from a particular type of human necessity based upon the nature of man.

The family is the product of what we could call biological necessity. Man, by his nature, requires a mate to reproduce. The

result of his mating is a family relationship. The family is not created by coercion (as a rule, although we have all heard of shotgun weddings) for, generally, we are attracted to members of the opposite sex and will seek one out unless we are prevented one way or another.

As a matter of fact, various societies going back to very ancient times have sought ways and means of regulating this relationship. The drive toward the creation of a family is so strong that only rarely has it been successfully suppressed. Even when laws prohibiting mating or concerning the selection of the mate are strictly enforced, individuals thwart and defy these rulings, being pushed forward almost irresistibly in their desires. Possibly the most successful attempt to prohibit families has been carried on by the Catholic church for members of its clergy. The church has made up for this prohibition for its priesthood by encouraging the strongest of family ties and by discouraging birth control for all members of the congregation. Other disciplinary faiths have militated against the family from time to time with only faltering success.

Possibly one of the least successful efforts to interfere in this particular was attempted by the followers of Karl Marx, who saw in the family relationship a constant renewal of man's age-old drive to own property privately. Additionally, it was claimed that middle-class family relationships were immoral and that it would be far better for children to be raised by the state, freed from the amateurish care of their inadequate parents. Furthermore, with the state as parent and guardian, there would be no cases of children being sold into slavery or prostitution, no cruelty to children, and no inadequacy in their instruction.

When these attempts were made in Russia and in China, after each of the major communist uprisings, the people responded in such ardent rejection of the new rulings that they had to be abandoned. Men and women, at least in these cases, rejected the antiseptic and antifamilial program. Men and women continued to select their mates, to have their children in the usual way, to grow attached to them, and to raise them as before. Although the state might be entirely willing to remove all responsibility for child

raising from men and women under its structure, and although these same men and woman may be willing to relinquish responsibilities in other areas, when it comes to the family the state has learned to tread lightly.

Imperfect though we may be as parents, the love and even the error of affection prove to be far superior to engineered and totally regulated upbringing by the politically motivated experts.

We define a family as an organized association of human beings having at its base at least one male and one female, with an arrangement for the addition of other persons, notably the young. Families can have more than one male and one female at their base. And once the family has been organized and even a single child puts in an appearance, the loss of either of the parents does not eliminate the family relationship. Although a family begins with one male and one female, subsequent losses can produce all-female families or all-male families, or any number of variations.

Families can be either small or large and are not necessarily limited to blood relatives, although this is usual. The family is a system for combining and organizing human energy in response to biological necessity.

What is a business? A business is a system for getting things done which is based upon economic necessity. You do not have to pass laws to compel people to organize businesses any more than it is necessary to pass laws to compel families to come into existence. We start businesses or families because we anticipate that conditions will be better for us if we do these things. A business is organized for profit. It does not have to be organized for dollar profit although this is both usual and commendable. But there are certain types of businesses, notably in the service area, which are not expected to make dollar profits, but which do return enormous psychic satisfaction to the owners, managers, or other participants.

So long as a business operates as a system, it must serve as a portion of the human ecology. That is, it exists because in a business environment (the market) the business provides a good or a service that persons want and will voluntarily purchase. Thus, the market supports the business because the business provides something the market wants. It exists on an exchange basis: quid pro quo.

What is a fraternity? This is a system for organizing human energy based upon communication necessity. All human beings have a yearning to fraternize with others who have similar interests and with whom communication in those interests can occur. Like a business, a fraternal system depends upon voluntary choices. We organize a group of men or women in order to accomplish something which always deals with large areas of sympathetic communication. Or we join an existing group for the same reason. Governments, or some informal type of coercion, may be exerted to regulate or to eliminate fraternal behavior. As a matter of fact, many military commanders are constrained to demand nonfraternization of their troops when they are bivouacked in a foreign territory.

As with similar restrictions placed upon business or the family, such regulation may have some results. But no one has to pass a law to compel fraternization. As human beings, we have a drive to communicate with others who feel or who think as we do in certain specified areas.

These basic systems can exist in combination. A church is a kind of fraternity run along business lines. A school is a kind of business run along fraternal lines. There have been family-type business fraternities, and so on in every possible combination.

The main point to understand is that the family, the business, and the fraternity come into existence because of the nature of man. It is not necessary to use force to compel their existence. They survive because of basic human necessities. But it does take force to suppress them. Indeed, suppression is never easy and sometimes it is impossible.

The next thing to keep in mind about systems is that although of a voluntary character, each system provides for a large measure of order. Every system has its own rules or laws which must be obeyed by those within the system. By adhering to these rules or laws, order is produced which is always necessary if we are to get things done.

Most of us do not think of voluntary systems as being capable of producing law, much less order, so this point requires examination. Let us take them in reverse order: first, the fraternity.

Nearly every effort undertaken to organize a fraternal order of any kind begins with the creation of a constitution, a charter, and a set of bylaws. The persons instrumental in the founding are careful to set down in writing what it is that the fraternity has adopted or will adopt as its overriding purpose. The area of interest is spelled out. Then the methods to be employed in furthering the objectives are set forth. Little is left to chance.

When it is organized, other persons are now urged to join in the fraternal system. Usually, they are required to pay dues. Always they must conform in some degree to the objectives set forth and the methods employed. The rules are precise, methods of procedure are specified, and then the fraternity can begin its life. It must do these things or the organization cannot proceed in an orderly fashion. The entire aim and objective will be lost unless orderly procedures are invoked.

Of course, the rules are never binding upon non-members; the organization is a system and remains voluntary. Anyone who agrees to join, submits to the rules set forth as a matter of his own choice. If he does not agree to the rules, he does not join. If it is found after he has joined that he fails in the fulfillment of his promises or refuses to obey the rules, he is asked to leave. Or if he finds that for any reason he no longer wishes to be associated, he withdraws. Thus, he obeys the rules when it pleases him and if the rules displease him, he separates or is asked to go. The rules are the means employed to obtain order. They are not an end in themselves.

If the members of a fraternity make the error of assuming that their real function is the formulation of more and more rules by means of which the members are to be bound, they may find themselves with a diminishing membership. They have organized for the purpose of having luncheon meetings, or promoting sound business practices, or supporting a hospital, or dancing or marching, or some other objective attracts them. If the objective is buried under a weight of new rules and directives, those joining will find that they prefer to leave.

The same general observations must be made concerning a business. It is started because of economic necessity. Those



responsible seek profit. But profit requires orderly behavior. Rules must be set forth; company policy must be determined.

In large firms, company policy may be reduced to writing and new employees asked to read the book. In smaller firms, rule-making is more informal but exists nonetheless.

As an employee you will be told when the work day begins and when it ends. You are told where you are to work, what you are to do, and how you are to do it. The pay is specified, as are coffee breaks, vacations, so-called fringe benefits, and the like. The employee is bound by the rules. But he does not have to stay. He can quit. And if he does not obey the rules or will not produce as he was asked to produce, he may be asked to leave. The employee joins volitionally because he wishes to further his own economic position. He gives up a certain amount of his time in exchange for a certain amount of dollars and cents. If all goes well, he will remain a satisfied employee. If it does not, he will quit or he may be fired.

The system is voluntary. No one outside of a given business is bound by the rules promulgated by the managers of that business. Entrance and exit remain volitional.

Thus, the business is a system depending upon voluntary acceptance of the rules by the members. It is supported in the market by the voluntary support of customers in the market. The entire procedure is voluntary, under rules that create order. The rules are not an end, but a means to an end. The end sought is orderly procedure.

With the family the creation of laws or rules is far less obvious, but the process occurs all the same. For a household to operate with efficiency, rules and procedures must be understood in advance. Hours are set for the serving of meals and for appointments of various sorts. The budget is determined. There has to be an organized procedure if affairs are not to degenerate into chaos, discord, and bitterness. Husband and wife unite in this process, sometimes almost unconscious of the role they play.

She may set the hours for the events important to her—meals, shopping appointments, and so on. He may set up the budget and determine the time for getting out of bed and for getting into bed. The job of setting these rules into existence and following them is

one of trial and error, in most cases. And if errors are made— and usually very costly and painful errors do occur—the disappointment and the sorrow and even the tears and recriminations when a rule is broken serve to provide a system of law enforcement that is unparalleled in any governmental agency for brevity and for emotional impact. As with the fraternity and the business, the parties to the system want to work things out. They are motivated, not by fear or force, but by a desire to maximize their own well-being. Every effort is made by both parties if the arrangement is to succeed. If one party will not cooperate, the chances are good that the marriage will fail. It certainly will fail if both parties remain uncooperative and stubborn.

Currently we often see the traditional roles reversed. The woman becomes the bread-winner, the man stays home and deals with the children. This, too, is functional. It will work.

In the event failure occurs, the parties separate. Today, the government intrudes, both in the creation of the family and the dissolution of the marriage. But this is only the legal side of it. The practical aspect suggests that legality never made a marriage succeed and never prevented a breakup.

Here is something else to keep in mind. If, in any system, the rules become oppressive and cannot be endured, then a split occurs and whoever leaves finds himself in a world where he is free of the controls he experienced within the system. He is free to create or join another system, or he is free to stay out.

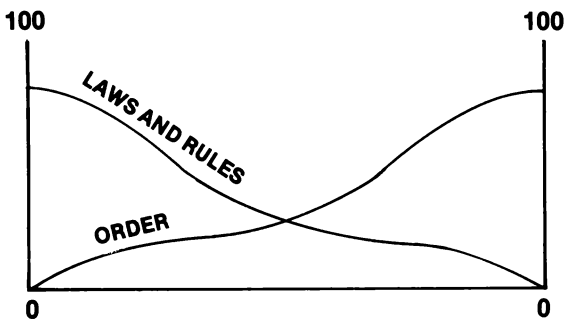
For example, if a man working for General Motors quits, he does not automatically find himself employed at another job. He is free not to work if he so desires. If he does desire another job, it takes that decision together with a series of other actions before he will get it. The same is true with departure from a fraternity or from a married state.

Note that the system is characterized not only by its voluntary nature, but by the limitation to the application of the rules. A family does not pass rules for other households in the neighborhood. One business does not seek to force another business to follow the rules it has established for itself. The charter and by-laws of Rotary are not binding on the Elks. Interestingly, the rules in all systems

follow the lines of property ownership and control. The rules are for the people who work or live and communicate within the system, and most of the rules relate to the behavior of individuals respecting the property that is owned or acquired by the system.

There is still another characteristic and it should be emphasized: in all systems, the rules are never an end in themselves. They are a practical means toward the order and organized procedures that are essential if the system is to succeed and survive. This means that at the moment the system is begun and at the moment each new individual joins a given system, the rules are emphasized. This is the educational process. The rules have to be emphasized so the individual will learn just what kind of behavior is expected of him. Once his behavioral patterns are set, the rules are put aside in large measure. When order manifests, rules can be neglected and even forgotten. They are only important as a means for obtaining a desired goal.

So, at the inception of a system (family, business, or fraternity) great emphasis is placed upon forming the rules and seeing that everyone knows them. As order begins to result from the rules (and the rules are constantly amended, repealed, and replaced until order appears), then order dominates the scene and the rules are put aside. The process could be diagrammed as follows:



Nowhere is this more in evidence than when children come to enlarge the family circle. The infant is born into the care of a virtual dictator—the parents. Nature has prepared them for the natural role of tyrants. The infant is helpless without them. They do

everything for him, and to the infant it must seem that they do everything to him. They feed him, burp him, wash him, dry him, wrap him up, change him, fondle him, croon to him, put things into him, take them out, roll him over, put him back. They fill his world and his life. His only recourse is to kick and yell. He is unable to communicate his wishes, but they are anticipated as no political dictator has ever learned to manage. Thus, the infant is met by total law and total control.

But as he grows and slowly matures, the parents begin to remove themselves gradually from such a completely overbearing position. They grant him more and more latitude, until he is creeping by himself and finally walking. He has many little catastrophes in process, but they let them occur. This way he learns.

All through his infant years they are busy repealing the rules they have established. They do it as rapidly as the infant responds by agreeing to the orderly procedures they desire.

Finally, usually sometime during the teens for most normal children, the degree of order has reached a high enough level so that the parents begin instructing the child in an understanding of self-reliance and self-responsibility. This is a process which begins much earlier without the child understanding it. Early training is for the purpose of establishing acceptable conditioned reflexes. He is given chores; asked rather than ordered to cooperate. And if the process has been correctly employed, in time he emerges as an adult, subject to the customs that have now become habitual without more than occasional recourse to reminders of the rules long established.

It may serve a useful purpose to point out that when we are dealing with structures, notably political structures, the process is precisely reversed. First of all, systems precede structures. A structure is a corrupted system. Therefore, before structuring occurs, there is already a high degree of order. Of course human beings are not perfect and all orderly arrangements break down on occasion. When such variations are treated with impatience and intolerance, the temptation arises to use force to prevent recurrences. But structures have the opposite direction in their growth. They originate when order is already well established

within a system. Now the rules which are formulated become an end in themselves. Indeed, they become sanctified and often a matter of ritual and even obsession.

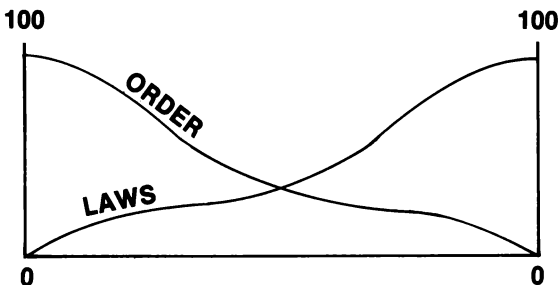
The structure, relying as it does on force, is not voluntary. It introduces compulsion and coercion. Deviations from the rules are not met by tears, lectures, and recriminations. Rather, they are met by police, courts, jails, and, in extreme cases, with death. If a person decides that he wishes to get out of the structure, he finds that he must first obtain permission from whoever heads the structure. This is not always easy or possible. And if he does manage to get out of a given structure, he will find that he has merely exchanged one set of masters for another. There is nowhere that he can go to get into free territory. There is virtually none.

Further, a characteristic of all structures is that they ignore property boundaries and all rights, while professing to uphold them. Indeed, the fundamental pattern of the structure is to molest the boundaries of every dissident to bring him into harmony with the rules.

Thus, with the passing of time, structures tend to create frustration, resentment, aggression, disorder, and a breakdown leading to war and chaos. Systems, with the passing of time, operate within the property limits and tend to create satisfactions, profit, happiness, and a high degree of order.

Perhaps it is time for us to take note of a most compelling fact. Human energy must be organized in an orderly fashion for us to get things done. It is the system that does the job and creates the order we seek. It is time we stopped crediting structures for doing the job that systems perform.

The results of a structure might look like this:



If we are truly concerned with maximizing human well-being, we are going to have to seek effective ways and means of maximizing order, so that we can produce and consume at the high levels our capacities make possible.

## Chapter 31

# The Structure— A Corrupted System

The difficulty most of us experience when we try to talk about government is that the word conveys so many meanings and so many emotional impacts. In general, people associate the word *government* with “law and order.” As we have shown, law and order are really the products of systems and not necessarily of structures. But this fact does not prevent people from equating law and order with government.

Thus, if a person says, “I believe in good government,” his hearers normally think they have heard him say, “I believe in good law and order.” Of course if he says, “I don’t think we need any government,” the assumption is that he has declared himself against law and order and thus must be an anarchist.

Perhaps if we can assist in explaining and making useful the words “system” and “structure,” we can help to show that while law and order are necessary and desirable provided they come into existence through the voluntary acceptance of those who decide to be ruled by them, they are neither desirable nor necessary when laws are imposed upon those who do not choose to be so ruled, and thus such laws lead to frustration, aggression, rebellion, and disorder.

We have already set forth the proposition that for government (structure) to exist, there must be three factors present: there must

be at least one person who is ready, willing, and able to impose his rule upon others; there must be those who are willing to accept such an imposed rule; there must be a point of frictional contact in which the force of the governor can be expressed upon the governed.

Most modern governments are a derivative of territorial control and hence a government could normally be defined as a group of men who sell retribution to the inhabitants of a limited geographic area at monopolistic prices. However, a government can exist which has no territory, and thus the general definition will not always suffice. For instance, a group of men can select a particular class or race or group of men, identifying them by their religion, their jobs, their color, or their language, and can impose a kind of government over them without bothering with the acquisition of territory. Into this classification would fall any criminal gang, the United Nations, any labor union, or any militant church group which imposed its rules by force and violence over a specific group of persons or organizations.

The single identifying characteristic of any government, whether territory is involved or not, is the characteristic of force. And it must be the kind of force before which the subject is nearly helpless and from which he will have the greatest difficulty in extricating himself.

Another identifying feature is this: all governments exist on surpluses. Although any government can own and operate productive enterprises, and many of them do, those who govern are always members of an elite which does not engage in productive work but busies itself with regulating others and punishing them according to the customs or laws that are adopted. It is these persons, who do not produce, who must be supported by the surpluses others produce.

Ideally, men should not have structured government. All such structures impair human liberty and in the long run prove destructive of human well-being.

But the tendency so many have is to equate freedom with anarchy, and law and order with government. So it is usually presumed that if government is removed, anarchy will follow. And



since anarchy, in the popular usage of the word, means a lack of law and order, and indeed is often viewed as a synonym for chaos, it is understandable why people often say that no matter how bad a government may become, having even a very bad one is better than having anarchy.

Factually, if human beings had to choose between chaos and government, they would have to choose government. Fortunately, this is not the choice that appears before us. The assumption seems to be that in freedom, human beings and human energy are uncontrolled, whereas in government, human beings and human energy are controlled; but this is to forget the nature of human energy, which always operates under the control of the individual. The real choice before us is, shall we have a situation in which each person controls himself or should we have one in which some persons control other persons?

Here, there is no question as to the choice to be made. Indeed, it is not certain that there really is a choice here. Nature has seen to it that no individual is ever endowed with the power to control other individuals without their own consent. Now the argument is apt to revert to the question of man's basic nature. Is man "good" or is he "evil"?

It is obvious that if each man controls himself and if each man is basically good, no government would be necessary. If all men were good, government could be eliminated at once. But this does not seem to be the case. Although men do control themselves as individuals, they have certainly demonstrated their ability to perform evil acts, and even to perform them with evil intent.

Are men, then, basically evil? If so, those who favor government may seem to have the better of the argument. But do they? If all men are basically evil, it would follow that the men given power over other men would also be evil. And thus, if men are evil, it would be far better to deal with them if they did not have power than if they did. It thus appears that if men were basically good, we would not require government; if men were basically evil, we could not afford to grant any man the power of government.

Well, what is the nature of man? Candidly, it appears to be neither good nor bad. It is, rather, opportunistic. We know from

prior chapters that men seek the “good” (profit) for themselves. Whether they will adopt means and methods which are in harmony with the good they seek depends upon the opportunities available and the educational level obtained. The truly educated man acts with ends and means in harmony because he has learned that principles are important to him even as they are important to others.

Whether you will favor or advocate government control over others will depend upon the kind of education you acquire. Very few men advocate governmental controls over themselves. But they constantly believe that others must be controlled by some outside force even though, in their case, no such control is necessary since they are quite willing to control themselves.

The time has come for us to examine the governmental structure. This is necessary because it is important to discover whether or not we *can* devise a kind of governmental structure that will preserve freedom.

There are very few men who, while calm and reasonable, would ever advocate limitless government or total tyranny. We will assume that you, as well as most other people, really favor some kind of “limited government.” So there is no necessity for us to compare the merits of limitless government with the merits of limited government. Even top officeholders will usually advocate limited government. The question really centers on the area between so-called limited government and no government at all.

It also appears that the only reason serious-minded people favor even limited government is because of the continuing fear that other persons will impose on them and that unless they have a means of defending themselves and of punishing those who have managed to molest them, they will be vulnerable to everyone. There are only two brief comments to be made here, since we did cover protection, defense, and retaliation in earlier chapters. What we must keep in mind at this point is that every individual does in fact control his own energy. If he does good things or bad things, it is because he wished to. Therefore, in fact, the entire process of obtaining safety among others is a process relating to motivation. You cannot control another. But if you can assist in motivating him

so that he does not want to molest you, then he will not molest you even though you might be vulnerable to him.

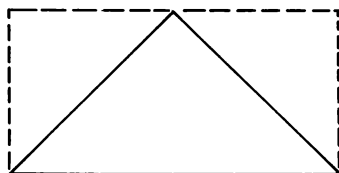
People usually begin organizing their energies by creating a system in which they get something done. There are two fears to which they are susceptible. Others will not voluntarily cooperate, either within my system or in the system's environment, and therefore I must use force. Or, my system is working fine now but I cannot foresee the future and therefore I must protect my system now so that it lasts forever regardless of what is to happen later.

It is the fear of incorrect motivation in others that causes us to convert and corrupt a system into a structure, or it is the fear of change which conceivably could lead to death. Thus we long for control over others, although nature has not provided us with this attribute, and we long for eternal life even though nature prefers that the smaller cell perish to preserve the larger system.

The system exists within its environment (the market) and its relationships to it are quid pro quo. This was illustrated earlier by the horizontal direction taken by the arrows that lead in and out of the system. Within all systems there is a something-for-something arrangement.

The system which begins to resort to force will find the direction of flow changing from horizontal to vertical. Further, while all systems recognize the sanctity of property boundaries and grant authority only to owners, and limit the authority to that which each owner owns, as power begins to flow boundaries are trespassed. A system respects the property rights and boundaries of all. A structure respects no boundaries and no property rights whatever.

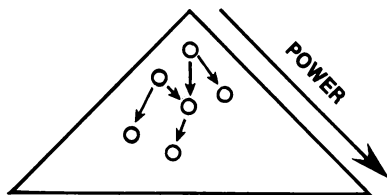
With corruption, the system changes its shape and begins to appear as follows:



This is the power structure and it would describe either a government, a military organization, or a criminal gang. Wherever motivation is invoked by force or the threat of force, power and force replace the quid pro quo, something-for-something arrangement. Motivation is now obtained without offering to trade. Obey me or suffer the consequences, is the constant rule of all structures.

In all structures of power, power flows from the top down.

Since all structures are merely ways of organizing human energy, every structure is filled with people, officeholders, and each of them has a certain amount of power.

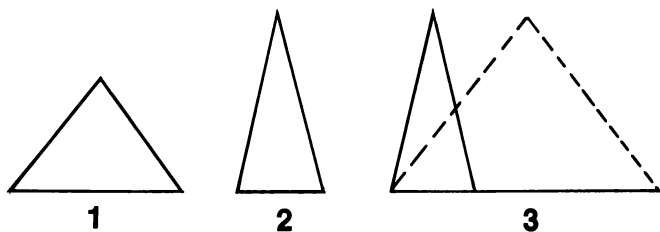


The higher a person's office is within the structure, the greater the power at his disposal. The degree of power can be illustrated by placing officeholders near the base of the structure or near the apex. The person at the very peak is viewed as the ultimate power holder, the sovereign, the king, the president, and he acts here as though all persons and property beneath him were his and he was their owner and could command them just as an owner rightfully can command his own property. He has the power to consume them, discard them, or exploit many people who, if they were within a system, would make their own decisions.

In designing a structure, the concept is that where power is compressed and concentrated, there it is greatest. So as we rise in this pyramid to the apex, the lateral lines come closer and closer together. This illustrates the concentration of power. Now we can use this illustration to show the relative degrees of power within competing structures. One which rises high and has an acute apex is more powerful than one which peaks only a short distance from the base, with the apex an obtuse angle.

The purpose of political science is to try to keep the pyramid as nearly an equilateral triangle as possible. But the tendency of all power structures is to elongate vertically. With the passing of time, power struggles force the structure to higher and higher levels. Each succeeding “leader” tries to gain a little more power than his predecessors and succeeds to power precisely because he does so. But his advisors, if they are wise to the risks of concentrations of power, will attempt to bring equalization.

No one has yet figured out how to create a power structure and at the same time limit its vertical growth. A power structure beginning as an equilateral triangle, or even as an obtuse-angled triangle, finally rises to the point where the upper angle is sharply acute.



The best the political scientists have been able to do is to extend the base laterally in an effort to bring back equalization. This process is called “broadening the base.”

The reason for this phenomenon of vertical growth relates to the nature of human ambition and its predictable behavior within a power structure. When a “leader” has attained power, while he basks in the sunlight of superior power and prestige, he is planning to make himself even more powerful in order to forestall his possible rivals.

This entire process of growth and the remedial effort of broadening the base can be described in another way. (See Figures 1, 2, and 3.) Suppose we make an analogy. Imagine individual human beings as though they were pieces of electrical equipment. Each one is wired up to handle house current at 110 volts.

If a man can get himself placed in a power structure, and most

especially if he can get himself placed at the top of such a structure, he will have considerably more voltage at his disposal than he would normally have.

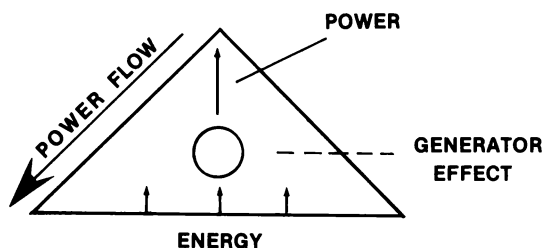
Where does he get this added voltage? It is clear that nature does not provide it. Rather, it is provided by the power structure, which serves to coalesce and condense the power, amplifying it until it can surpass by millions of units the normal individual human supply.

This is illustrated as follows. The flow of power is always from the top down. But the energy that enters the structure comes up through the floor of the pyramid. Recall that the structure is not something that exists within its environment (the market), but rather it sits on top of the environment and thus any energy coming from the market must move upward. Until this energy is activated, it is merely potential power. The relation of the persons within the structure to the persons below the structure is the relationship of superiors to inferiors. The energy comes from the inferiors, and becomes activated through their supplication and sanction. Precisely, the energy made available to persons in structures could be called the sanction of the victims.

Those who benefit from the power flow are not those who perpetuate its existence. Those who perpetuate it are the victims of it—those who, in spite of their inferior position to it, insist that it must be there. This insistence is based on fear. For people in general are fearful of their neighbors and hence fear their own environment. So, they assist in creating power structures which will plunder and enslave them, because in the process these power structures will also be capable of plundering and enslaving their neighbors. And while they do not wish to be the victims of plundering and enslavement, so fearful are they of their neighbors that they will sanction the perpetuation of power structures to be used against others. This is the entire reason for governments. This creates a circulatory system of which the structure is the mechanism.

Energy seeps into the base through supplication and the sanction of the victims. This energy is now coalesced and condensed in a kind of generator effect which amplifies it many times and creates a powerful vertical thrust that shoots upward to the highest point.

Here the energy can be called power, which comes into the use of the person at the apex who releases the power flow.



This power flows down in the form of laws, regulations, orders, decrees, ukases, and demands for money, support, and obedience; it inflicts punishment up to and including death for those who resist.





## **Chapter 32**

# **Power and Structural Variation**

One of the important facts to be kept in mind about structures relates to their relative vulnerability. The more power that is made available in a structure, the taller it becomes. The taller it becomes in relation to its base, the more vulnerable it is. It is not the small power structures that people fear, it is the tall and mighty ones.

People begin by fearing their environment and they create structures to assist them in controlling their fears concerning the motivation of others. When a structure becomes large and powerful enough, people fear it, too. But it is now too late. They have assisted in creating a social cancer which is now far beyond their influence. They suddenly discover that the structure is regulating their environment and injuring it, and they begin to realize that they are a part of the human ecological system and the structure is injuring them.

They have three general reactions to this awakening. They try to get into a structure, and thus into a situation which, compared to their position beneath the structure, appears to be relatively safe and rewarding. Or they try to get "better men" into the structure to reduce its power. Or they are made to believe that the real danger they face does not come from their own structure but from a neighboring one. At this point they may actually seek to enlarge their own structure so they can make war on a neighboring

structure to reduce it. The larger the neighboring structure has become, the more likely it is to be attacked. The taller it is in relation to its base, the more likely it is to be reduced in war.

Usually, all three reactions can be anticipated, with emphasis shifting from one to another and sometimes encompassing all three at once. But all three reactions are the reactions of emotion and do not get to the root of the problem, which is found in the destructive effect of all structures upon the environment over which each exercises power.

Usually, the reaction to “get into the structure” results in vastly increased reliance upon political action. But most people seem to understand that *everyone* can’t get into political office. Democracies seem to provide an answer. For by participating in the voting process, which is no more than a formal process of sanctioning the rule by others, many persons can be led to believe that “they” *are* the government. This is pure illusion. All structures require two classes, a political elite and a non-elite operating within an environment.

The single contribution of the socialist here is to envision a structure so vast that the entire environment and all men in it are gobbled up by the structure. Should this process succeed, and it is doubtful that it could succeed on a global scale, it would structure the human race. This would, in effect, afflict all men with a social cancer at once. It might very well eliminate conflict, which is what the socialist claims, but it would also eliminate all systems and their healthy competitive function within an environment. In the end, under such a comprehensive structure, we would find human beings becoming something other than human. What they would become, if they survived at all, is open to the widest conjecture. But their basic nature as individual men would be altered. They could no longer think or act from self-interest.

In Russia, where the most advanced socialist ideas were the subject of experiment from 1917, the trend has been away from mass man and toward the reemergence of self-interest under a variety of disguises and names.

Usually, when an effort is made for *all* men to seek sanctuary within the structure, a deviation occurs and most men seek to find

“good” men to “represent” them within the structure. This deviation is so common that we can probably anticipate that it will continue unchecked until there is a broader understanding concerning the fundamental nature of structures.

In monarchies, the search for “good” men in positions of power has usually found most of the population on its knees praying to the Almighty for a wise and good king. There is little evidence to encourage the belief that prayers of this kind are answered with frequency.

In democracies, the process is called “beating the bushes,” although prayers are not totally abandoned. Many who are politically active and who are aware of the effect of power upon them and upon their environment, go on a search for “good” men they can back. They are motivated in two ways: they either want the oppressions pouring from the structure to be reduced or eliminated, or they want the power to be used to benefit themselves or their particular group, class, or industry. Normally, we can expect both motivations. The search for a “good man” is conducted with much fanfare and publicity. Were we able to observe this type of behavior among a lower species, we would be convulsed by its nonsense. Since it happens to us, it is taken with great seriousness.

To make the explanation of a long and ludicrous process brief, the culmination, usually in what is called a “national convention,” results in a candidate or a pair of candidates being chosen to “represent” all of us. And after each candidate thus chosen walks among us, promising both increases and decreases in power as the mood of his hearers is interpreted, a national popularity contest ensues and a single man emerges as the victor.

He now mounts to the apex of the structure, assumes the robe of office, and the scepter of power is placed in his hands. Going back to our analogy of the 110-volt man, we now have a creature provided by nature with a modest degree of energy and power, who has at his disposal the accumulated sanction of millions, publically obtained. In effect, he takes the oath of office and is “plugged in.” The result is electric. He has a “mandate” (sanction) from the people. He responds predictably. Thunder rolls from Olympus and a

Jovian attitude is assumed. New laws are invoked and new levies demanded.

His followers, anticipating that he will reflect their pleasure, are ecstatic. His victims are appalled. But as he views himself from this eminence, he comes to realize quickly that he cannot simply act to please his followers. His eminence is godlike and he must be all things to all men under his sway. His followers begin to feel oppressed, and his opponents quiver with frustration and a mounting feeling of helplessness.

Each new decree rolling down the slopes of the structure strikes consternation and terror among the rank and file. And presently they are off again, beating the bushes, convinced that although before the election they had selected a good man, something has happened at those dizzy heights to change his character.

The truth is that no man is wired up to handle this much voltage. If we examine any candidate before he becomes politically activated, and if we examine his daily life before or after his experience on the heights, we will find that he is but a man after all. Not a one has been able to correctly and perfectly handle even his own affairs. Each has been guilty of folly, shortsightedness, crass motivation, and confusion from time to time. With power at his disposal, these weaknesses are magnified and inflicted upon the populace.

But meanwhile, the straining population, its environment victimized by thousands of oppressions, is seeking a good man again. And the process is repeated. It may go on for generations or centuries. It is here that an adroit politician can begin to let every one of his subjects know that the real reason for their plight isn't his fault at all. Either his plight was caused by his predecessors, whose follies he cannot quite detect and remedy (since he is committing them, too), or the environmental convulsions are caused by neighboring structures. Ours is a good structure, he will assure us, but those persons "over there" have a bad structure. And it is very powerful. We must now increase our own structure, make war on the neighboring power and reduce it. This will restore the environment.

This idiocy is accepted as gospel and the nation girds for war.

The girding process itself disrupts the environment still further but that can now be forgotten. In a real sense, war absorbs the entire environment into the structure in a burst of patriotic fervor. Histories, as they have usually been written, tell us with monotonous repetition the story of the political rise to power and politically-inspired war.

If we are fortunate, the war will ultimately cease, both sides drained of manpower, blood, and resources, with the respective environments crippled and distorted in a state of vast disequilibrium. Then comes the healing pause, in which we are too weak, even as victors, to carry on as before. The systems slowly begin to reappear, and distortions in the market are met with conversion to consideration of human wants.

But the government structure remains, a throbbing center of power. It waits as various "leaders" emerge, posture briefly in their moment of glory, and modify existing coercions.

But the same structured procedures continue and presently we will be tearing up our ecology, our economy, and our geography again. Finally, after long experience, we begin to see the truth of what Lord Acton so wisely voiced: "All power tends to corrupt; absolute power corrupts absolutely."

At this point we take a good, hard look at the structure we have. And a great light begins to dawn. The structure was designed in such a way that finally all power got into the hands of one man. That is the problem. We become philosophic. No one man should have so much power. We must redesign the structure and do it in such a way that it will not elongate vertically. Or we must put it together so that no one man can dominate it, or if he does, he will automatically be removed.

The idea of getting along without the structure and relying on competitive systems within the environment seems so terrible that we cannot conceive of it. Haven't we just experienced what those (the latest enemy) people are willing to do to us? We've got to keep the structure at whatever cost, but everything will be all right if we can just limit government.

Down through the years we have experimented with every conceivable kind of structure in an effort to have our cake and eat

it, too. Probably no one has said this better than Rose Wilder Lane in her book, *Discovery of Freedom*:

Look at any available records of any people, living anywhere at any time in the whole history of the Old World.

They revolt against their king, and replace him by another king; they revolt against him, and set up another king. In time they revolt against monarchy; they set up another *kind* of living authority. For generations or centuries, they revolt and change these rulers; then they revolt against that kind of authority, and set up another kind....

They replace the priest by a king, the king by an oligarchy, the oligarchs by a despot, the despot by an aristocracy, the aristocrats by a majority, the majority by a tyrant, the tyrant by oligarchs, the oligarchs by aristocrats, the aristocrats by a king, the king by a parliament, the parliament by a dictator, the dictator by a king, the king by... there's six thousand years of it in every language....

All these kinds have been tried, too, in every possible combination: the priest and the king; the king who is the priest, the king who is God, the king and a senate, the senate and a tyrant, the tyrant and the aristocrats, a king and a parliament—try to think of a combination; somewhere it has been tried.

This describes with precision what men have done for thousands of years. We struggle with a particular structure, trying to find good men who can be entrusted with power. When finally we discover that all these attempts fail to give us what we want, then we set about redesigning the structure in an effort to prevent or limit the abuses which were all too apparent in the structure we have been using.

Curiously, the Oriental view of this problem is quite different from the Occidental and it is of interest. Those governments which can be traced to concepts of law and rule stemming from Greco-

Roman sources have generally taken the view that men cannot be trusted with power. Therefore, the Western world has tended to elevate the law to a position of superiority and to hold it above the interplay of decisions in day-to-day living. Indeed, the law is often elevated to such a degree that it is presumed to be divine and any violation of it becomes not only a social intrusion but a sin of considerable magnitude. Thus, Western practice has tended to isolate and elevate a body of law which is loved and revered and obeyed with great devotion both as to its letter and its accompanying ritual.

In the East, no such veneration for the law is found. There, the belief has held that governments will always be governments of men. To paraphrase a Chinese sage: "If you have a bad ruler but good laws, you will have a bad government. A bad man will not be restrained by good laws. If you have a good ruler but bad laws, you will have a good government, for a good ruler will not enforce bad laws." Thus in every case it is the man who makes the government.

The Oriental problem seems to be that they have found no formula for finding good men. And if we can agree with them that in the end government is only men, we may also wish to agree that laws are only man-made pronouncements and neither better nor worse than the men who formulated them and got them enacted.

If we combine the Oriental and the Occidental position, we will probably accept the Eastern wisdom and then add to it the conclusion to be drawn from centuries of experience. When it comes to power, there are no good men. And we might even extend that to point out that governmental pronouncements we call law are no more than written statements concerning human behavior. The whole body of law is an effort to enforce a legalized morality retroactively through retribution. It would have to follow that if a legislature issues a decree which is in harmony with nature, then certainly it is not up to government to enforce it, for nature will take care of the matter adequately. As a matter of fact, the collecting of money from the taxpayers through coercive practices to enforce a law, even though the law is in harmony with nature, is an exercise of power against the innocent and cannot be anything but unjust and perverse if we care to examine the matter.

But then we have laws which are contrary to, or other than harmonious with, nature. These are a positive menace for they deny reality and seek to create artificial restraints and encouragements at the expense of some to help others. Taxes must also be collected to enforce these laws. And each incursion against the taxpayers, as well as the additional incursions against others who are to be restrained or handicapped by the law, distorts the environment of man and creates disequilibrium, leading to a lessening of the number of human satisfactions available.

Thus, laws are either in harmony with nature or they are not. If they are in harmony, they are merely an added expense and unnecessary. They provide modest distortion. If they are out of harmony, then they are a positive menace, both in themselves and in the matter of financial involvement for enforcement purposes. This obvious condition has led one cynic to observe that there are only two kinds of government: bad and worse.

It would appear that the combined experience of humanity, coupled with the employment of reason and logic, leads us to melancholy conclusions respecting governmental structures. But perhaps we ought to examine at least some of the basic efforts that have been made to provide a system of limited government.

If a governmental structure could be provided that would be supported without taxation; would serve to restrain and prevent all crime; would protect against foreign invasions; but would never impose upon an honest man in his rightful and fully justified procedures of day-to-day life, then certainly we could all relax and rejoice, knowing that a satisfactory solution had been found.

In an effort to create or formulate this ideal government, men have experimented for centuries. We list here some of the more popular forms of governments (structures) that have been employed, together with a brief explanation of their principal characteristics.

*Patriarchy* (matriarchy). An extension of the rule of the father (or mother) beyond the family limits. It implies wisdom and age. The patriarch is venerable. This is probably the first true government to appear. It is not really a government until the patriarch can be supported by the efforts of others (taxation) and until others are willing to be ruled by him.



*Monarchy* (Rule by one). The monarchy is a natural development from a patriarchy. Implicit is the idea that the job of monarch is inherited; it is within the family. The king has royal blood whereas his bureaucracy have noble blood because they comprise an elite. The king is presumed to have divine rights. His subjects have no rights at all. The king merely bestows privilege since all rights are in him, and he can do no wrongful act. It is presumed that the king is sovereign (owner) of the entire realm and all persons within it. Obviously, as the owner, he can do no wrong with what he owns.

*Limited Monarchy*. This is an effort to provide some boundaries to the power of the king. Usually, this limitation is provided by establishing a second apex within a given structure to accommodate a representative body, a parliament, a senate or an assembly.

*Oligarchy* (Rule by a few). No number is specified. However, what is specified is that each of the oligarchs is presumed to hold the same rank and to control the same amount of power as each of his fellow oligarchs. It introduces the idea of political competition between men in power, in an effort to forestall concentration of power in one man.

*Theocracy* (Combination of church and state). Most monarchies have an obvious theocratic tendency. Nearly all governments either pretend to be carrying out some kind of divine will or divine pattern or, as with communist and socialist forms, they set the government up as though it were a divine hierarchy in itself and help to engender a kind of worship of the state.

*Democracy* (Rule by the people). In theory it would mean that all the people rule all the people. That would result in each person ruling himself or in no one ruling anyone else. This has never been attempted in pure form for the obvious reason that no political structure would be required for it. A pure democracy probably could not be structured. It might be a delightful and fully satisfactory way to conduct our affairs although it might result in the disemployment of all professional politicians.

*Republic*. This is a more practical structure, in many ways superior to other forms. It can lead to one-man rule while deceiving the populace into thinking that they are making the decisions. It is

representative government and is a modification of democracy along practical structural lines. The people vote, usually not on issues but for representatives. In a pure republic, the representatives now convene and vote for those who are to occupy the structure above them. These now meet to select those above them. And this goes on until the topmost power holder is chosen.

The distinguishing feature of the republican method is the interior resolution of problems and the interior elevation of men, as opposed to democracy where everything is done openly and as a result of popular clamor. In as pure a democracy as can be imagined (Athens), the citizens actively participate in full public view. In as pure a republic as can be imagined (Soviet Union), secret procedures occur constantly with the recognition that the masses know little or nothing about affairs of state and it is not good to worry them with details. Rather, it is good to condition them to believe in the infallibility of their representatives. In the United States of America, we have attempted to combine both the republican and the democratic features.

*Dictator.* From the politician's view, the most practical and efficient. Dictators are usually viewed as men backed by immediate military power. But this is true of all governments.

Keep in mind that a dictator is merely a man whose *word* is law. He might have been elected or appointed, or have risen to power through military conquest, bribery, or other corruption. But when he simply issues an order and it is carried out without question or recourse, he is a dictator in practice, whatever other titles he may carry.

*Bureaucracy.* This is one of the names given to the elite who hold governmental offices. In a monarchy, the bureaucracy will probably be chosen from the nobles and is frequently called an aristocracy. In a republic or a democracy, the bureaucracy will usually be composed of orators or lawyers. In a theocracy, the priesthood will comprise the elite, and in a dictatorship firmly established, the generals will hold the important posts.

All governmental structures have bureaucracies for the same reason that all business systems have employees. Laws do not administer or enforce themselves. An elite must be available which

is essentially *above* the law in order that the law be enforced on others. Note: the policeman speeds in order to arrest the civilian speeder.



## **Chapter 33**

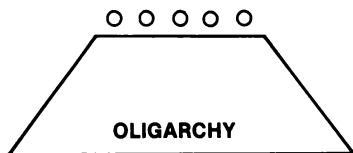
# **Withdrawal of Sanction**

In the preceding chapter we listed a few of the types of governmental structures which men have devised and employed since the days of primitive savagery. Each has ended in disaster of one kind or another. If the structure was strong enough to preserve itself over an appreciable period of time, it became oppressive and tyrannical. If it was unable to accumulate such strength, then it collapsed or was taken over by a stronger adjacent structure.

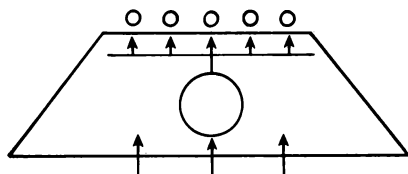
Actually, there are only three basic types of structures. The multitude of names employed to describe them relate to modifications of or compromises with the basic concept.

The equilateral triangle we have previously used illustrates the structure of all governments where power finally is placed in the hands of one man. Such governments have been called patriarchies, monarchies, dictatorships, and tyrannies. The men in power have been called patriarch, caesar, tyrant, czar, president, king, emperor, kaiser, and lord protector. If all power finally is centered in the hands of a single decision maker, then the equilateral triangle illustrates the basic nature of that structure.

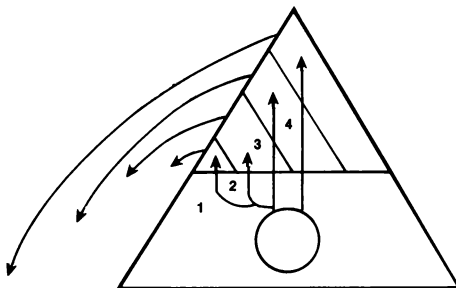
When men became discouraged over the constant recurrence of tyranny in all structures leading to one-man rule, the idea emerged of having more than one at a position of top power. This is the oligarchy. It looks like this:



The oligarchs are selected to hold top power jointly (it is hoped the competition between them will prevent any one of them from seizing all power). The action we have referred to as “sanction of the victim,” whereby the energy seeping into the base of the structure is activated, now takes place. The generator action is followed by an upward thrust to the top of the structure. But in this case there is no peak. The ceiling is level and pressure is more or less even under that floor on which the oligarchs meet. Since all power (not energy) flows from the top down and the oligarchical structure does not have a top, a power flow does not immediately occur. The picture might appear as follows:



This happy cessation of motion lasts anywhere from a few seconds to a minute or two. Then one of the oligarchs will call the meeting to order and assume the gavel or other symbol of power. It doesn't make any difference what method is used, the fact is that the oligarchs must coordinate their energies or quit. They coordinate. The result is that a slight peak now appears above the man holding the gavel. As he employs it, the power thrust begins to reach him for dispensing. A power flow begins. As it does, the apex of power over him enlarges, making possible greater power in his hands; the power flow increases. By successive steps the platform of the oligarchs is arched over by a power apex which finally approximates the precise form of the monarchy, dictatorship, or any other one-man-rule type of structure.



So far as is known, there has never been a single deviation from this pattern. Every oligarchy has ended in one-man domination, usually a one-man dictatorship.

In actual fact, dual control of a single enterprise, asset, system, or structure is contrary to nature. An ultimate decision maker will always appear. And all ultimate decisions are made within a single brain. Others may advise; others may dispute; but in the end, only one plan of action or one decision can be meaningful over a single item at a given point in space and time.

Back in the Jurassic age this fact was ably demonstrated when nature introduced a giant lizard known as the stegosaurus. This monstrous creature had two brains, or two centers of nervous ganglia which had to pass as brains. One was in the creature's skull, the other at the base of the tail. In theory this should have been excellent. The nervous tissue available then for the transmission of messages was of poor quality and it sometimes took many seconds between the inflicting of an injury on a saurian and the reception of a message concerning that injury. In other words, most of these giants could be seriously injured or even killed and not know a thing about it until later. So the appearance of the stegosaurus with two brains should have solved the problem, for messages could be routed to one brain or the other and the transmission time could be cut down. Apparently nature was experimenting and the experiment was disastrous enough so that it wasn't repeated.

The poor stegosaurus became a victim of his own monstrous indecision. Equipped by nature to be capable of both forethought and after-thought, he had no ultimate brain to which to refer

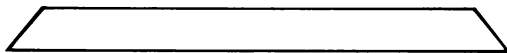
disputes. Instead of speeding up his reaction time, the lapse became longer through confusion. Nature abandoned the model.

In a sense, the oligarchy is an attempt on the part of man to build a political stegosaurus. The motive is excellent: to design a structure where all power will not accumulate in the hands of one man. But the result is disaster as all power finally does centralize in the hands of one man.

The next design conceived by man was democracy. A pure democracy probably would look like this and would not be susceptible of structuring.

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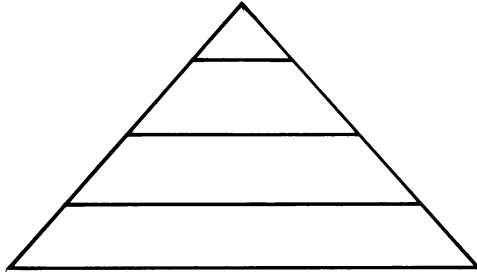
Because of the human tendency to fear one's neighbors, a pure democracy without a structure was not attempted. Rather, something like this was designed:



The problem here is of another character. It relates to the distortion horizontally rather than vertically. Spelled out, it means that if all the people attempt to act directly on all the problems, any sizable population will be incapacitated by numbers. Democracy will work best at the town-hall level where a limited number of persons can state their views and seek a single decision. But if a large nation attempted this pattern, there would be as many as a million town halls, each with about 200 persons. Decisions made in one would be contrary to decisions made in others. Confusion and conflict would be the inevitable result. So a pure democracy has not been attempted, nor even one more pure than that of the early Athenians.

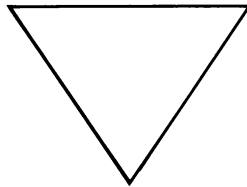
Instead, we came forward with the republic, which is nothing more than a modified democracy in which, through successive balloting, those to exercise power rise higher and higher, as their numbers are reduced to manageable proportions. A pure republic would look like this:





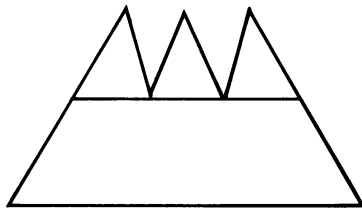
When some of the leading citizens in this country concluded that a structure was mandatory, we attempted to devise something brand new. We were not satisfied with any of the attempts that had been made before. We did not want a monarchy. We were fearful of a democracy. We wanted a republic, but we saw nothing that might prevent our republic from finally putting all power in the hands of one man.

We had been inspired by the Declaration of Independence. Had a structuring of it been attempted, it would have looked like this:



Obviously, no structure was ever considered. Nor could it be. The idea that the people would retain sovereignty, and that their government would be beneath them and, hence, their servant, is contradictory to the function of a structure. If the people can govern their government, then, in fact, the government is not a structure and there would be no point in having it at all. Actually, a government is, of necessity, above those over whom it exercises the decision-making function. If the people are really above their government, then there is no government.

What was designed looked like this:



We began with the base and then drew up the power lines to a broad platform, the first level in a republic. Then we saw that if we continued that process, we'd simply end with one-man rule all over again.

So we provided three branches to the structure, thus instituting an oligarchy of branches rather than an oligarchy of men. We would have an executive, a legislative, and a judicial branch. Any two of them would be powerful enough to check the growth of any one of them. This, we presumed, would give us a balanced government. We called it a system of checks and balances.

To make certain that this fundamental structuring would not be tampered with, we relied on a written constitution which was built around that basic design. But we did more than this. Everything we could think of to limit future growth was introduced. We kept the separate states which, in theory at least, retained some sovereignty. Then we put the president in for four years only, with an automatic ouster at the end of that time. To select the president and to avoid popular democratic procedures, we designed the electoral college. In theory this meant that the best men in each state would meet and select, from among their number, *their* choice for president. The whole device was taken over by the political parties and it never worked precisely as it was intended.

The legislative branch was divided into two houses, an upper and a lower. The upper house, the Senate, would hold office for six years and originally these men were to be chosen from the separate state legislatures, another republican device. The 17th Amendment turned each state into a senatorial election district, but prior to 1913, senators were protected in their ivory towers by never being vulnerable to popular pressures.

The members of the lower house were chosen democratically in

election districts, the boundaries of which were determined by population. And each representative in this house was elected for two years.

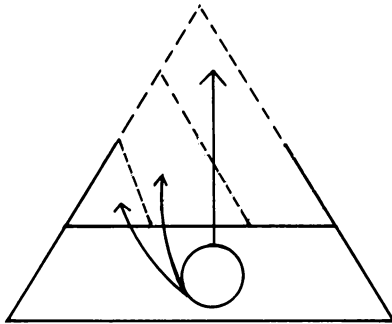
When we got to the judicial branch, we decided to remove it from politics entirely and so we asked the president to appoint the justices of the supreme court for a term of life or during good behavior, whichever should prove to be shorter.

What was the result of this careful effort to limit government?

If you examine the *Government Organization Manual*, issued by the U.S. Government Printing Office twice each year, you will be able to weigh the result.

In this government publication, a listing of all governmental functions at the federal level appears. In the 1967 edition, it takes twenty-six pages to tabulate the legislative function; nine pages to tabulate the judicial function, and 518 pages to tabulate the executive function. The same general ratio will be found in this year's manual.

Total power as yet does not reside in the executive branch. Nonetheless, the accumulation of power there has served to eclipse the other branches so completely that the picture we now see appears as follows:

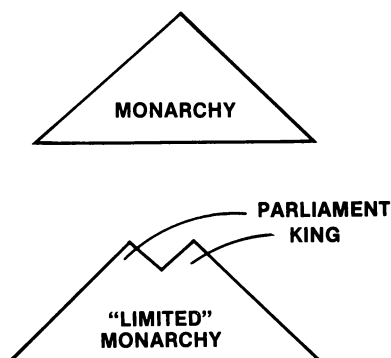


It is important that we learn these facts without malice and bitterness. The results we see are not the results of evil men practicing all manner of deliberate evil on others. What we are seeing and experiencing is the result of a wrong philosophy, which is contrary to the nature of reality and which results in oppression,

war, taxation, regulation, and the destruction of the natural environment of the human organism—the marketplace. These results, in spite of all the efforts made, were easily predictable. Future efforts which follow the same lines will be equally so. A limited government is a contradiction in terms. The reasons have already been set forth.

Where did we get the idea that we could really limit government? Limited government is a popular phrase. Most believe in it. It has an honorable past and is part of our heritage.

As Whigs we believed that we should not be subjected to the unlimited power of a king. So we championed the idea of a legislative branch and said that we would not have taxation without representation. What we were talking about looked like this:



If you ask any king, he will tell you that the existence of a parliament or a senate or an assembly limits his power. He is telling the truth. It does. Also, if you talk to the men in the legislative branch, they will aver that the existence of the chief executive limits their actions. This, too, is true. It does. Then, isn't a government with two peaks (or, better yet, one with three, as in the American case) an indication of limited government? No, it is not. What we see in this illustration is really called *divided powers*, not limited powers.

To the men *in* government, their powers are not total and they are limited. But to the man on the street, it makes no difference to

him whether he is punished because of an executive order, a legislative enactment, or a judicial writ. *All power* is in the state. That it comes to him from one branch or department rather than from another is only of academic interest.

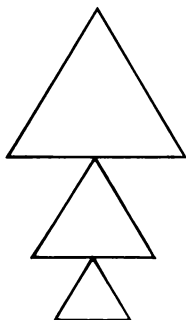
In essence, if we are to have a structure, limitless power must be at its disposal. If it does not have limitless power at a given instant, it must be capable of acquiring it or go down in defeat. Thus, every structure is a potential dictatorship and it is merely good political management never to reveal this fact. A wise politician employs his power with conservative restraint, much as a businessman conserves his capital and other resources. No businessman runs around bragging about how much money he has. If he did so, he would find prices rising all about him. Similarly, no politician who knows his skills will spend his time bragging to his constituents about what he can do to them. Rather, he lets it be known that he has very little power, which power he assures us will be used *for* our benefit, *never against* us. It is only in times of real emergency when the mask slips that we see the hasty motions of the chief politicians as they do as they please with anyone and everyone in an effort to preserve the structure which they dominate.

Is there any way that a governmental structure can be limited or reduced in size? Of course. Since these are power structures, we can always create a superior power structure wherein greater power will reside. This is both the political and the military method.

Let us suppose, for example, that Party *A* is in control in a given country. You are worried because Party *A* has too much power. To oust that party becomes your principal aim in life. So you work for Party *B* until finally, Party *B* is big enough to oust Party *A*. But now, Party *B* is larger than Party *A* was when you became concerned with it. There has been no solution along ideological lines here. The only solution which has been offered at this point is a change of personnel, with no change at all to the concept of rule by the accumulation of power.

Certainly in any political or military struggle, the victory is apt to go to the more numerous. This is guaranteed in popular governments relying on the voting process. The process of overcoming or reducing a power structure by imposing a still more powerful structure looks like the illustration. Obviously, this has

happened in this country in respect to the power of the individual states. These have been largely eclipsed by the dominance of the larger power structure over them.



The United Nations idea of a world federation is precisely this same step carried one more level upward. If a world structure can be created, then it would certainly be possible for it to dominate the national structures just as our national structure dominates our state structures. This vertical type of suppression can go on indefinitely so long as superior and more powerful structures with a broader base and with larger amounts of sanction at their disposal can be devised to rest upon the smaller ones which precede them. This provides no solution, however. Indeed, it is a part of the problem.

There may be other ways of dealing with the problem, but the most practical appears to be the withholding of sanction from the structure. All structures are dependent upon this energy being made available to them. If that energy is cut off, the structure would be an empty shell and would simply exist on a non-functional basis.

One of the barriers to understanding here relates to the tendency we all have of supposing that our sanction is given when we pay our taxes. And how do we keep from paying taxes; ergo, how can we keep from sanctioning?

The fact is that when a government obtains a virtual monopoly of money and credit, the withholding of tax money, even if it could be done, would not check the growth or the power of the structure. The government can simply turn on the presses and print more

money or, through the banks, relax credit, and a lack of tax money would not slow it down perceptibly. It might even increase the inroads against the populace.

The sanction of which we speak has nothing to do with paying taxes, nor indeed does it have anything to do with any action by government in which you are victimized. The victim of aggression is not, at the moment of aggression, providing his sanction. The sanction comes later when the victim, having already suffered because of some incursion against him, now goes to the government and says, in substance, "You have taken some of my resources and I want them back." At this point, the government responds, "We don't blame you. We really didn't want to hurt you. But we had a project that simply had top priority so we took your resources in order to accomplish it. Now, if you will just file the correct papers, we will get some resources away from others and turn them back to you."

The victim sanctions the looting of others as a defensive or retaliatory move in order to get his own returned and in order for him to remove himself from the role of victim. But this is the sanction by which government grows. *When you accept any kind of a handout, benefit, pension, social security, subsidy, or even police protection, government literature, advice, or whatever from the state, you are, in essence, justifying government's future incursions against others.* Although you are probably making the mental note: "I'm just getting back some of what I've paid," you are becoming a statistic the government can use to demonstrate that the program it has must be supported. "Mr. Smith (and others) is now depending on our handouts, benefits, pensions, social security, medicare, and other things, and would be lost without these goodies." Thus, you sanction the state at the point where you voluntarily accept something from the state when a choice is open to you not to accept.

Note that if you have no choice, such as when you pay taxes, or when there is no competing freemarket good or service available—as with a government postal system, a government highway system, and so on—you are not sanctioning, you are the victim.

Make this distinction in your mind. When you have no choice

and are forced, you are the victim and you are not sanctioning. When you have a choice and are not forced, but you accept a government "benefit" of any kind, then you are not a victim but you are sanctioning.

If you stop sanctioning governmental procedures, it will not be able to use you as a statistic to justify either future growth or present programs.

There is one other area of concern here and it must be mentioned. Governments (structures) obviously obtain energy from those who sanction. That is, they grow as the apparent need for their goods and services enlarges. But they also grow from another source that is frequently overlooked. Structures expand from opposition! When a danger appears to threaten any structure, this is taken by those in the structure as a justification for enlarging the structure in order to protect it. We are all familiar with this process when the threat of war looms. Note that it is also true domestically. When assassinations of top political leaders have occurred in the past, the immediate result was an enlargement of the state in an effort to prevent such an occurrence again.

Nor does the threat have to be so dramatic or drastic. The mere appearance of an opposing force at the structural level, has the effect of competition in the market. It encourages growth on both sides.

So it appears that if we are ever to put our environment into balance and maximize human well-being by avoiding structures and the conflicts they stimulate, we must do so in such a way that we withdraw our sanction while at the same time not appearing to be dangerous. This can be done. It will take an informed citizenry and one that is aware of the virtues of self-discipline and the meaning of freedom. Curiously, even the men in government will have no reason to oppose a peaceful move which withdraws sanction yet does not seek power.

If people would control themselves, manage their affairs peacefully, and in good order, and simply reject out of hand all governmental overtures, the men in government would begin to resign and seek more favorable employment.

There may be other ways to proceed, but if you think about this,



you may find its practical applicability. In any case, what is suggested is moral and reasonable. Wise and good men cannot oppose it. The only real question becomes, how many wise and good men are there?



## Chapter 34

# Communication

Now that you have come this far we have arrived at one of the most important subjects, that of communicating ideas. We have not been concerned, in making this work available, with convincing you that the position taken here is absolutely right and all other positions are in error. Our purpose has not been to convert but to inform.

So we do not know at this moment (indeed, it is none of our business) just how much or how little of what we have offered you have accepted. It would be entirely possible for you to have gone through the presentation without your *believing* a single point we have tried to make.

That takes us to the fundamental principle of what we believe to be good communication, especially in the realm of ideas. *When seeking to communicate a concept or an idea, it is always best to communicate basic facts, rather than conclusions derived from those facts.*

All of us open ourselves to education and the accumulation of facts, because we wish to reach valid conclusions. But when we consider communication with other human beings, a most important factor is the respect we have and show to those with whom we seek to communicate. It is, to a degree, a mark of disrespect when we seek to communicate *our conclusions*. Each individual should be respected enough so that we try to communicate the facts, letting each recipient of our communication draw his own conclusions.

Have you noticed that many persons will try to begin communication by actually inserting into the conversation the very factors leading to a breakdown of communications? A person will ask you: "What do you think of \_\_\_\_\_?" This is an open invitation for you to recite a conclusion you have drawn. But in most cases, the person asking the question does not have an interest in your conclusion. He has merely asked to open the door for a recitation of his own conclusion in the same area.

So, if you respond by a blunt recitation of your conclusion, this opens the way for the questioner to recite his conclusion.

If the conclusions happen to differ, rancor and ill will can follow. It might be superior, if you wish to establish good communications, to turn aside from this obvious invitation by commenting on some of the factors implicit in the question.

Let's suppose that the question was, "What do you think of socialism?" Rather than responding with the conclusion, "I think it is a wonderful philosophy" or "I think it is absolutely wrong and poses a great threat to us," it might be a good idea to sound out the other as to what he really means and what he is really striving to find out.

Since socialism means so many different things to so many different people, it would certainly behoove a person interested in establishing a continuing basis for understanding and communication to find out how his questioner defines socialism. The minute such a definition is made available, the door will open for comparative definitions and discussion on a friendly basis. Since all men seek what is best for themselves, if communication is based upon a search for definitions or fundamental principles respecting an idea, it will not be long before a very healthy situation of communication exists.

Then, when you get around to offering your conclusions, you will be offering them against a background of reason and logic that others will understand even though they differ. Thus, your conclusions, when offered, will not merely be dogmatic and often emotionally sustained, but will be based upon fact.

The art of good communication includes the ability to ask intelligent questions aimed at extracting the factual background of

others. Sometimes there is hesitancy here. Some people are timid about discussing ideas with others who may be better informed than they are. But one of the great joys that can come from communication is the acquisition of facts and ideas one does not have.

Thus, an extremely important point is the willingness of anyone seeking to communicate to admit his ignorance along with his willingness to learn. There is a psychological block here that most of us have to work to displace. That is the idea of revealing to others that there are areas where we are either uninformed or misinformed.

Curiously, the person who admits his ignorance and who is willing then to learn what the other has to offer, does not lose the esteem of others. On the contrary, he gains admiration and respect from the individual who seems to know more than he does. We all like to be admired and elevated because of our knowledge. So the person who is accepted by another as superior in knowledge or background is usually very pleased and feels a sense of gratification as he realizes that someone recognizes that he has something to offer.

It is not the "know-it-all" student who gains most in esteem and praise from his professors. While an instructor can appreciate the apt pupil, he will invariably feel well rewarded when he discovers a student who is willing to learn even if his background, at that moment, is deficient.

Possibly the most difficult factor to keep in mind in the area of communication relates to distinguishing between the ideas of the person and the person himself. An idea or concept is oftentimes a person's most prized possession. He views himself as an owner of it. And since ownership is no more than an extension of the person of the owner into an area beyond the person, so an attack upon a person's favorite doctrine or idea is fraught with peril and may be viewed as a threat or an act of molestation by the one being challenged. Therefore, the field of communication is filled with the risk of being perceived as a threat. Good manners and extreme consideration for the feelings of other people are primary here.

There is a tendency we all have to confuse the person with his pattern of thought. Thus, if a person proves obdurate and will not

accept the facts we marshal or the conclusion we have drawn, we are prone to view that person as intellectually inferior. He may not be. Rather, he may simply be predisposed to another set of ideas with which he has greater familiarity. As a matter of fact, he might be in a superior position, and we could be engaged in offering him merchandise that is inferior to what he already has.

So it never pays to presume to a superior status. Rather, we should honestly seek the truth, seek to motivate those with whom we communicate to also seek the truth (if we believe they do not), and then let a free market of ideas develop wherein the communicators may profit by any exchange that occurs.

This is probably easier to set down in writing than to follow. But if the intention is with us, it should help us in establishing a solid rapport with others.

In short, instead of confusing our identity with our ideas, we can begin to see the line of demarcation between ourselves and the ideas we express. Having detected this on our own home ground, we can more easily detect this same line of separation with others. And this will help us retain respect for the person who differs, just as it will assist him in keeping respect for us, even though disagreement may occur.

So long as communicators can retain personal respect for each other, they can continue to exchange ideas, even though their conclusions differ.

Here is a matter to consider as well. There is often a time lag between the presentation of an idea and the acceptance of it. If you offer ideas that are soundly based, and reveal the facts concerning them, you may find your immediate hearers openly rejecting what you say. But be patient. If your ideas really are superior, it is entirely likely that those to whom you spoke will recognize this superiority and in time adopt what you have sought to convey. It is also quite likely that they will not let you know that they have accepted. Unless they are very advanced people indeed, they might view their acceptance of your ideas as a blow to their own ego and self-esteem. So they'll be the last to tell you. But nonetheless they'll "buy" your position and then begin using it as their own.

Morally, they should be willing to admit the source of the ideas

they use. But so should we all. And the mind and the ego are such sensitive instruments that often we pick up ideas from people we do not care to acknowledge. It is entirely possible here that we will "forget" just where we got them, and presume that they are original with us. Nor is this a case of deceit or conscious hypocrisy. The ego will go to great lengths to protect itself from any feeling of inferiority. All the more reason why we should adopt the idea of truth as something that is not personal property, but rather something that we all should seek and that all should be willing to exchange with others without personal credit, or the sense of personal ownership.

Now let us consider ideas respecting human liberty and the fundamentals we have learned. To some, the acquisition of ideas of this caliber is so exciting that they are immediately imbued with crusading zeal and they can "hardly wait" to start communication with others so they can straighten everyone else out.

Let us hope that this is not your motivation. It is very desirable that you communicate with others. It is not desirable that you begin this process by trying to let everyone know how superior you are. If you want to "sell" ideas concerning the fundamentals of human liberty, a good place to begin is by making sure that you yourself are personally credible and attractive.

An example of how not to proceed is found in the recent "hippie" movement. Many of these so-called "flower children" have some very acceptable ideas concerning the real nature and meaning of freedom. But they have formed what amounts to an exclusive drug cult; they dress in such a way as to produce a shock effect, and they are not attractive. Indeed, they are pathetic and may very well elicit our sympathy and a sense of pity. Reasonable and well-adjusted persons are not going to listen to much that they say. They have unsold their doctrine by their behavior and appearance. And notice how most persons now find it impossible to weigh the merit of the "hippie" position. There is too close a connection between the "hippie" and his doctrine. So the "hippie" is rejected, and with him virtually everything he stands for.

How much more good the "hippie" might have accomplished had he cleaned himself up, become outstandingly successful, of-

ferred a very high standard, and not relied upon narcotics to do it. Let us grant that had he proceeded in that fashion, there might have been very little publicity given to what he had to say. But publicity does not necessarily follow the worthy; it usually follows those who are “off-beat,” unusual, or even destructive. So, this is something to keep in mind in respect to good communications. Don’t anticipate or even seek publicity. It is better to be right and known only to your contemporaries, than to be wrong and be notorious.

This ties in directly with the fundamentals of liberty. If you are convinced that the direction of a future civilization lies in the marketplace rather than along political avenues, seek to live your life that way. Support the marketplace, and do so with a note of positive acceptance of the concept of *quid pro quo*. It is easy to stir up hatred for government or for men in government. These are huge targets difficult to miss. But you do not build freedom by engendering hatred and animus. Freedom will be lost if men take up arms against the slave-makers.

Instead, and as an adjunct to good communication, place your energies on the plus side. Encourage and support those who stand with you. Forgive and then avoid those who do not.

All human progress has arisen out of the intellectual advances we have made. The real frontiers we all face are the frontiers of the mind and the application of the knowledge we are able to acquire. The ultimate weapon is reason. And the ultimate tool by which reason can be employed is the well-balanced and peaceful person who will not resort to violence or the threat of violence to advance his cause.

Another point to be kept in mind concerning good communication is the matter of patience. Do not try to communicate too much too quickly. Have you ever had this experience? You read a book or an article that makes an impression on you. It conveys some facts or some conclusions that fascinate you, and you remember them. Some months later, you pick up the same book or article and re-read it. Have you sometimes been astonished to see how much more was in the message than you originally gleaned from it?

Obviously, the information was there all the time, but you did



not assimilate it all at once. Possibly you needed additional experiences in your life for you to appreciate certain depths and facets of what was being said. Possibly your mind became so engrossed with some of the information that other data, equally important and fascinating, was simply passed over.

This same situation prevails with all mankind. No one learns everything at once. So, in communicating with people be prepared for an expenditure of time and a gradual movement in the desired direction.

Everyone has a "hot" button. There are certain subjects that tend to stimulate an emotional rather than a reasoned response. Once you know where these "hot" buttons are, you can avoid a breakdown in communication if you can keep that "hot" area insulated from unfortunate and rash statements.

Remember that all men want the good for themselves. Capitalize on that fact when you attempt to establish communication. Talk to people and write to people in the area of their own best interests. This does not mean toadying to the unworthy. But it does mean that you must keep in mind that the person or persons to whom you are addressing your message are as human as you are and have to be treated the way you want to be treated.

We mentioned in an earlier chapter that man has three basic necessities: biological necessity, economic necessity, and communication necessity. Don't hesitate to communicate. Simply make your communication attractive and make yourself as attractive as possible in process. If you live a life of freedom, holding respect for others, it is probable that others will not seek to intrude upon your freedom unduly, and they will treat you with respect, for you will have earned it.

Don't expect too much too quickly. Learn to experience joy in the process of communication rather than anticipating joy as a derivative of a conversion. The most successful people are those who find joy in working and communicating, rather than those who can only find satisfaction in the completion of a job or the termination of communication.

Set a good example. What you do and how you do it form a basic communication pattern. Remember that old adage: "What you are speaks so loudly I cannot hear what you say."

If you persevere in the process of self-discipline, self-determination, and self-government, and communicate to others why you are doing what you do, and how this process enables you to succeed and to be joyous as you live your life, you will have no end of persons who will be fascinated by the example you set. They will seek to emulate you.

Here you must take care that you do not try to live the lives of others for them. Seek to lead by setting an example, not by dominating others. Encourage others to stand on their own feet and make their own decisions.

If others fall short of your expectations for them, forgive them, express confidence in them, and encourage them to try again. If you fall short in your expectations for yourself, do the same.

It does no good to hold grudges or a sense of guilt, either over yourself or others. Errors will occur. Correct them and move onward, for life is always now and in the future. What has already happened is dead. Learn from it, but move forward, in Liberty.

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